II

Calendar No. 33

119TH CONGRESS
1ST SESSION

S. 919

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

IN THE SENATE OF THE UNITED STATES

MARCH 10, 2025

Mr. HAGERTY (for himself, Mr. SCOTT of South Carolina, Mrs. GILLIBRAND, Ms. LUMMIS, and Ms. ALSOBROOKS) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

MARCH 18, 2025

Reported under authority of the order of the Senate of March 14, 2025, by Mr. SCOTT of South Carolina, with an amendment

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

A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

~~**SECTION 1. SHORT TITLE.**~~

~~This Act may be cited as the "Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025" or the "GENIUS Act of 2025".~~

~~**SEC. 2. DEFINITIONS.**~~

~~In this Act:~~

~~(1) BANK SECRECY ACT.—The term "Bank Secrecy Act" means—~~

~~(A) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);~~

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

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

~~(2) BOARD.—The term "Board" means the Board of Governors of the Federal Reserve System.~~

~~(3) COMPTROLLER.—The term "Comptroller" means the Office of the Comptroller of the Currency.~~

~~(4) COMPTROLLER-REGULATED ENTITY.—The term "Comptroller-regulated entity" means—~~

~~(A) any Federal qualified nonbank payment stablecoin issuer that is subject to regulation and supervision exclusively by the Comptroller, pursuant to section 4(a)(7); and~~

~~(B) any entity chartered by the Comptroller.~~

~~(5) CORPORATION.—The term "Corporation" means the Federal Deposit Insurance Corporation.~~

~~(6) DIGITAL ASSET.—The term "digital asset" means any digital representation of value which is~~

~~recorded on a cryptographically-secured distributed ledger.~~

~~(7) DISTRIBUTED LEDGER.—The term "distributed ledger" means technology in which data is shared across a network that creates a public digital ledger of verified transactions or information among network participants and cryptography is used to link the data to maintain the integrity of the public ledger and execute other functions.~~

~~(8) FEDERAL QUALIFIED NONBANK PAYMENT STABLECOIN ISSUER.—The term "Federal qualified nonbank payment stablecoin issuer" means a nonbank entity, other than a State qualified payment stablecoin issuer, approved by the Comptroller, pursuant to section 5, to issue payment stablecoins.~~

~~(9) INSTITUTION-AFFILIATED PARTY.—With respect to a permitted payment stablecoin issuer, the term "institution-affiliated party" means any director, officer, employee, or controlling stockholder of the permitted payment stablecoin issuer.~~

~~(10) INSURED DEPOSITORY INSTITUTION.—The term "insured depository institution" means—~~

~~(A) an insured depository institution, as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and~~

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

~~(11) MONETARY VALUE.—The term "monetary value" means a national currency or deposit (as defined in section 3 of the Federal Deposit Insurance Act) denominated in a national currency.~~

~~(12) MONEY.—The term "money" means any financial instrument that is—~~

~~(A) legal tender;~~

~~(B) required to be received by a taxing authority in satisfaction of tax obligations; or~~

~~(C) widely accepted in an economy for the payment of goods or services.~~

~~(13) NATIONAL CURRENCY.—The term "national currency" means each of the following:~~

~~(A) A Federal Reserve note (as the term is used in the first undesignated paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 411)).~~

~~(B) Money standing to the credit of an account with a Federal Reserve Bank.~~

~~(C) Money issued by a foreign central bank.~~

~~(D) Money issued by an intergovernmental organization pursuant to an agreement by 1 or more governments.~~

~~(14) NONBANK ENTITY.—The term "nonbank entity" means a person that is not a depository institution or subsidiary of a depository institution.~~

~~(15) PAYMENT STABLECOIN.—The term "payment stablecoin"—~~

~~(A) means a digital asset—~~

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

~~(ii) the issuer of which—~~

~~(I) is obligated to convert, redeem, or repurchase for a fixed amount of monetary value, not including a digital asset denominated in a fixed amount of monetary value;~~

~~(II) represents that such issuer will maintain or creates the reasonable expectation that it will maintain a stable value relative to the value of a fixed amount of monetary value; or~~

~~(III) has complied with the authorization requirements of this Act; and~~

~~(B) that—~~

~~(i) is not a national currency;~~

~~(ii) is not a deposit (as defined in section 3 of the Federal Deposit Insurance Act), including a deposit recorded using distributed ledger technology;~~

~~(iii) does not offer a payment of yield or interest; and~~

~~(iv) is not a security, as defined in section 2 of the Securities Act of 1933 (15 U.S.C. 77b), section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c), or section 2 of the Investment Company Act of 1940 (15 U.S.C. 80a–2), other than a bond, note, evidence of indebtedness, or investment contract satisfying the conditions described in subparagraph (A).~~

~~(16) PERMITTED PAYMENT STABLECOIN ISSUER.—The term "permitted payment stablecoin issuer" means a person incorporated in the United States that is—~~

~~(A) a subsidiary of an insured depository institution that has been approved to issue payment stablecoins under section 5;~~

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

~~(C) a State qualified payment stablecoin issuer.~~

~~(17) PERSON.—The term "person" means an individual, partnership, company, corporation, association, trust, estate, cooperative organization, or other business entity, incorporated or unincorporated.~~

~~(18) PRIMARY FEDERAL PAYMENT STABLECOIN REGULATOR.—The term "primary Federal payment stablecoin regulator" means—~~

~~(A) with respect to a subsidiary of an insured depository institution (other than an insured credit union), the appropriate Federal banking agency (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) of such insured depository institution;~~

~~(B) with respect to an insured credit union or a subsidiary of an insured credit union, the National Credit Union Administration;~~

~~(C) with respect to a State chartered depository institution not specified under subpara-~~

~~graph (A), the Corporation, the Comptroller, or the Board; and~~

~~(D) with respect to a Federal qualified nonbank payment stablecoin issuer or any entity chartered by the Comptroller, the Comptroller.~~

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

~~(20) STATE.—The term "State" means each of the several States of the United States, the District of Columbia, and each territory of the United States.~~

~~(21) STATE QUALIFIED PAYMENT STABLECOIN ISSUER.—The term "State qualified payment stablecoin issuer" means an entity that is legally established under the laws of a State and approved to issue payment stablecoins by a State payment stablecoin regulator.~~

~~(22) STATE PAYMENT STABLECOIN REGULATOR.—The term "State payment stablecoin regulator" means a State agency that has primary regu-~~

~~latory and supervisory authority in such State over entities that issue payment stablecoins.~~

~~(23) STATE CHARTERED DEPOSITORY INSTITUTION.—The term "State chartered depository institution" has the meaning given the term "State depository institution" in section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)).~~

~~(24) SUBSIDIARY OF AN INSURED CREDIT UNION.—With respect to an insured credit union, the term "subsidiary of an insured credit union" means—~~

~~(A) an organization providing services to the insured credit union that are associated with the routine operations of credit unions, as described under section 107(7)(I) of the Federal Credit Union Act (12 U.S.C. 1757(7)(I)); and~~

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

~~**SEC. 3. ISSUANCE AND TREATMENT OF PAYMENT STABLECOINS.**~~

~~(a) ISSUE.—It shall be unlawful for any person other than a permitted payment stablecoin issuer to issue a payment stablecoin in the United States.~~

~~(b) TREATMENT.—A payment stablecoin that is not issued by a permitted payment stablecoin issuer shall not be acceptable as a settlement asset to facilitate wholesale payments between banking organizations or by a payment infrastructure to facilitate exchange and settlement among banking organizations.~~

~~(c) PENALTY FOR VIOLATION.—~~

~~(1) IN GENERAL.—Whoever knowingly participates in a violation of subsection (a) shall be fined not more than $1,000,000 for each such violation, imprisoned for not more than 5 years, or both.~~

~~(2) REFERRAL TO ATTORNEY GENERAL.—If a primary Federal payment stablecoin regulator has reason to believe that any person has knowingly violated subsection (a), the primary Federal payment stablecoin regulator shall refer the matter to the Attorney General.~~

~~**SEC. 4. REQUIREMENTS FOR ISSUING PAYMENT STABLECOINS.**~~

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

~~(1) In general.—Permitted payment stablecoin issuers shall—~~

~~(A) maintain reserves backing the outstanding payment stablecoins of the permitted payment stablecoin issuer on an at least 1 to 1 basis, with reserves comprising—~~

~~(i) United States coins and currency (including Federal reserve notes) or money standing to the credit of an account with a Federal Reserve Bank;~~

~~(ii) funds held as demand deposits (or other deposits that may be withdrawn upon request at any time) or insured shares at an insured depository institution (including any foreign branches and agencies of an insured depository institution), subject to limitations established by the Corporation and the National Credit Union Administration, as applicable, to address safety and soundness risks of such insured depository institution;~~

~~(iii) Treasury bills, notes, or bonds—~~

~~(I) with a remaining maturity of 93 days or less; or~~

~~(II) issued with a maturity of 93 days or less;~~

~~(iv) repurchase agreements with the permitted payment stablecoin issuer acting as a seller of securities and with an overnight maturity that are backed by Treasury bills with a maturity of 93 days or less;~~

~~(v) reverse repurchase agreements with the permitted payment stablecoin issuer acting as a purchaser of securities and with an overnight maturity that are collateralized by Treasury notes, bills, or bonds on an overnight basis, subject to overcollateralization in line with standard market terms, that are—~~

~~(I) tri-party;~~

~~(II) centrally cleared through a clearing house registered with the Securities and Exchange Commission; or~~

~~(III) bilateral with a counterparty that the issuer has determined to be adequately creditworthy even in the event of severe market stress;~~

~~(vi) securities issued by an investment company registered under section 8(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–8(a)) that operates as a money market fund in compliance with rule 2a–7 issued under that Act (or any successor rule) and that are invested solely in underlying assets described in clauses (i) through (iv) of subparagraph (A);~~

~~(vii) any other similarly liquid asset approved by the primary Federal payment stablecoin regulator, in consultation with the State payment stablecoin regulator, if applicable, of the permitted payment stablecoin issuer; or~~

~~(viii) any reserve described in clauses (i) through (vii) in tokenized form, provided that such reserves comply with all applicable laws and regulations;~~

~~(B) publicly disclose the issuer's redemption policy;~~

~~(C) establish procedures for timely redemption of outstanding payment stablecoins; and~~

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

~~(i) the total number of outstanding payment stablecoins issued by the issuer; and~~

~~(ii) the amount and composition of the reserves described under subparagraph (A).~~

~~(2) PROHIBITION ON REHYPOTHECATION.—Reserves required under paragraph (1)(A) may not be pledged, rehypothecated, or reused by the permitted payment stablecoin issuer, either directly or indirectly, except for the purpose of—~~

~~(A) satisfying margin obligations in connection with investments in permitted reserves under clauses (iv) and (v) of paragraph (1)(A);~~

~~(B) satisfying obligations associated with the use or receipt of provision of standard custodial services; or~~

~~(C) creating liquidity to meet reasonable expectations of requests to redeem payment stablecoins, such that reserves in the form of Treasury bills may be sold as purchased securi-~~

~~ties for repurchase agreements with a maturity of 93 days or less, provided that either—~~

~~(i) the repurchase agreements are cleared by a clearing agency registered with the Securities and Exchange Commission; or~~

~~(ii) the permitted payment stablecoin issuer receives the prior approval of its primary Federal payment stablecoin regulator or State payment stablecoin regulator, as applicable.~~

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

~~(A) IN GENERAL.—A permitted payment stablecoin issuer shall, each month, have the information disclosed in the previous month-end report required under paragraph (1)(D) examined by a registered public accounting firm.~~

~~(B) CERTIFICATION.—Each month, the Chief Executive Officer and Chief Financial Officer of a permitted payment stablecoin issuer shall submit a certification as to the accuracy of the monthly report to, as applicable—~~

~~(i) the primary Federal payment stablecoin regulator of the permitted payment stablecoin issuer; or~~

~~(ii) the State payment stablecoin regulator of the permitted payment stablecoin issuer.~~

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

~~(4) CAPITAL, LIQUIDITY, AND RISK MANAGEMENT REQUIREMENTS.—~~

~~(A) IN GENERAL.—The primary Federal payment stablecoin regulators shall, jointly, or in the case of a State qualified payment stablecoin issuer, the State payment stablecoin regulator shall, consistent with section 18, issue—~~

~~(i) capital requirements applicable to permitted payment stablecoin issuers that—~~

~~(I) are tailored to the business model and risk profile of permitted payment stablecoin issuers;~~

~~(II) do not exceed requirements which are sufficient to ensure the ongoing operations of permitted payment stablecoin issuers; and~~

~~(III) in the case of the primary Federal payment stablecoin regulators, if the primary Federal payment stablecoin regulators determine that a capital buffer is necessary to ensure the ongoing operations of permitted payment stablecoin issuers, may include capital buffers that are tailored to the business model and risk profile of permitted payment stablecoin issuers;~~

~~(ii) regulations implementing the liquidity standard under clause (i);~~

~~(iii) reserve asset diversification and interest rate risk management standards applicable to permitted payment stablecoin issuers that—~~

~~(I) are tailored to the business model and risk profile of permitted payment stablecoin issuers; and~~

~~(II) do not exceed standards which are sufficient to ensure the ongoing operations of permitted payment stablecoin issuers; and~~

~~(iv) appropriate operational, compliance, and information technology risk management standards, including Bank Secrecy Act and sanctions compliance, that—~~

~~(I) are tailored to the business model and risk profile of permitted payment stablecoin issuers; and~~

~~(II) are consistent with applicable law.~~

~~(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed to limit—~~

~~(i) the authority of the primary Federal regulators, in prescribing standards under this paragraph, to tailor or differentiate among issuers on an individual basis or by category, taking into consideration the capital structure, business model risk~~

~~profile, complexity, financial activities (including financial activities of subsidiaries), size, and any other risk related factors of permitted payment stablecoin issuers that the primary Federal regulator determines appropriate, provided that such tailoring or differentiation occurs without respect to whether a permitted payment stablecoin issuer is regulated by a State payment stablecoin regulator; or~~

~~(ii) the supervisory, regulatory, or enforcement authority of a Federal banking agency to further the safe and sound operation of an institution for which the Federal banking agency is the appropriate Federal banking agency (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)).~~

~~(C) APPLICABILITY OF EXISTING CAPITAL STANDARDS.—~~

~~(i) DEFINITIONS.—In this subparagraph—~~

~~(I) "appropriate Federal banking agency" has the meaning given that term in section 3(q) of the Federal~~

~~Deposit Insurance Act (12 U.S.C. 1813(q); and~~

~~(II) "depository institution holding company" has the meaning given that term under section 171(a)(3) of the Financial Stability Act of 2010 (12 U.S.C. 5371(a)(3)).~~

~~(ii) APPLICABILITY OF FINANCIAL STABILITY ACT.—With respect to the promulgation of rules under subparagraph (A) and clauses (iii) and (iv) of this subparagraph, section 171 of the Financial Stability Act of 2010 (12 U.S.C. 5371) shall not apply.~~

~~(iii) RULES RELATING TO LEVERAGE CAPITAL REQUIREMENTS OR RISK-BASED CAPITAL REQUIREMENTS.—Any rule issued by an appropriate Federal banking agency that imposes, on a consolidated basis, a leverage capital requirement or risk-based capital requirement with respect to an insured depository institution or depository institution holding company shall provide that, for purposes of such leverage capital requirement or risk-based capital require-~~

~~ment, any insured depository institution or depository institution holding company that includes, on a consolidated basis, a permitted payment stablecoin issuer shall not be required to hold, with respect to such permitted payment stablecoin issuer and its assets and operations, any amount of regulatory capital in excess of the capital that such permitted payment stablecoin issuer must maintain under the capital requirements promulgated pursuant to paragraph (1)(A)(i).~~

~~(iv) MODIFICATIONS.—Not later than the earlier of the rulemaking deadline under section 18 or the date the Federal payment stablecoin regulators issue regulations to carry out this section, each appropriate Federal banking agency shall amend or otherwise modify any regulation of the Federal banking agency described in clause (iii) so that such regulation, as amended or otherwise modified, complies with clause (iii) of this subparagraph.~~

~~(5) TREATMENT UNDER THE BANK SECRECY ACT AND SANCTIONS LAWS.—~~

~~(A) IN GENERAL.—A permitted payment stablecoin issuer shall be treated as a financial institution for purposes of the Bank Secrecy Act, and as such, shall be subject to all Federal laws applicable to a financial institution located in the United States relating to economic sanctions, prevention of money laundering, customer identification, and due diligence, including—~~

~~(i) maintenance of an effective anti-money laundering and economic sanctions compliance program, which shall include appropriate risk assessments, verification of sanctions lists and designation of an officer to supervise the programs;~~

~~(ii) retention of appropriate records of payment stablecoin transactions;~~

~~(iii) monitoring and reporting suspicious activity;~~

~~(iv) policies and procedures to block, freeze, and reject specific or impermissible transactions that violate Federal or State laws, rules, or regulations; and~~

~~(v) maintenance of an effective customer identification program, including identification and verification of account~~

~~holders with the permitted payment stablecoin issuer, high value transactions and appropriate enhanced due diligence.~~

~~(B) RULEMAKING.—The Financial Crimes Enforcement Network shall adopt rules, tailored to the size and complexity of the permitted payment stablecoin issuer, to implement subparagraph (A).~~

~~(6) COORDINATION WITH PERMITTED PAYMENT STABLECOIN ISSUERS WITH RESPECT TO BLOCKING OF PROPERTY AND TECHNOLOGICAL CAPABILITIES TO COMPLY WITH LAWFUL ORDERS.—~~

~~(A) IN GENERAL.—The Secretary of the Treasury—~~

~~(i) shall, to the best of the Secretary's ability, coordinate with a permitted payment stablecoin issuer before taking any action to block and prohibit transactions in property and interests in property of a foreign person to ensure that the permitted payment stablecoin issuer is able to effectively block a digital asset of the foreign person upon issue of the digital asset; and~~

~~(ii) is not required to notify any permitted payment stablecoin issuer of any in-~~

~~tended action described in clause (i) prior to taking such action.~~

~~(B) COMPLIANCE WITH LAWFUL ORDERS.—~~

~~(i) IN GENERAL.—~~

~~(I) PERMITTED PAYMENT STABLECOIN ISSUERS.—A permitted payment stablecoin issuer may issue payment stablecoins only if the issuer has the technological capability to comply and will comply with the terms of any lawful order.~~

~~(II) FOREIGN PAYMENT STABLECOINS.—A foreign payment stablecoin that is not licensed under this Act may not be publicly offered, sold, or otherwise made available for trading in the United States unless the payment stablecoin issuer has the technological capability to comply and will comply with the terms of any lawful order.~~

~~(ii) LAWFUL ORDER DEFINED.—In this paragraph, the term "lawful order" means any final and valid writ, process,~~

~~order, rule, decree, command, or other requirement issued or promulgated under Federal law, issued by a court of competent jurisdiction or by an authorized Federal agency pursuant to its statutory authority, that—~~

~~(I) requires the permitted payment stablecoin issuer to seize, freeze, burn, or prevent the transfer of payment stablecoins issued by the permitted payment stablecoin issuer;~~

~~(II) specifies the digital assets or accounts subject to blocking with reasonable particularity; and~~

~~(III) is subject to judicial or administrative review or appeal as provided by law.~~

~~(C) REPORT REQUIRED.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report on the coordination with per-~~

~~mitted payment stablecoin issuers required under subparagraph (A).~~

~~(7) LIMITATION ON PAYMENT STABLECOIN ACTIVITIES.—~~

~~(A) IN GENERAL.—A permitted payment stablecoin issuer may only—~~

~~(i) issue payment stablecoins;~~

~~(ii) redeem payment stablecoins;~~

~~(iii) manage related reserves, including purchasing, selling, and holding reserve assets or providing custodial services for reserve assets, consistent with State and Federal law;~~

~~(iv) provide custodial or safekeeping services for payment stablecoins, required reserves, or private keys of payment stablecoins, consistent with this Act; and~~

~~(v) undertake other activities that directly support any of the activities described in clauses (i) through (iv).~~

~~(B) RULE OF CONSTRUCTION.—Nothing in subparagraph (A) shall prevent a permitted payment stablecoin issuer from engaging in non-payment stablecoin activities that are allowed by the primary Federal payment~~

~~stablecoin regulator or the State payment stablecoin regulator, as applicable.~~

~~(8) PROHIBITION ON TYING.—~~

~~(A) IN GENERAL.—A permitted payment stablecoin issuer may not provide services to a customer on the condition that the customer obtain an additional paid product or service from the permitted payment stablecoin issuer, or any of its subsidiaries, or agree to not obtain an additional product or service from a competitor.~~

~~(B) REGULATIONS.—The Board may issue such regulations as are necessary to carry out this subparagraph, and, in consultation with the Comptroller and the Corporation, may by regulation or order, permit such exceptions to clause (i) as the Board considers will not be contrary to the purpose of this Act.~~

~~(9) REGULATION BY THE COMPTROLLER.—~~

~~(A) IN GENERAL.—A Federal qualified nonbank payment stablecoin issuer shall be regulated and supervised exclusively by the Comptroller, which shall have authority, in coordination with other relevant primary Federal payment stablecoin regulators and State payment stablecoin regulators, to issue such regulations~~

~~and orders as necessary to ensure financial stability and implement this subsection.~~

~~(B) CONFORMING AMENDMENT.—Section 324(b) of the Revised Statutes (12 U.S.C. 1(b)) is amended by adding at the end the following:~~

~~“(3) REGULATION OF FEDERAL QUALIFIED NONBANK PAYMENT STABLECOIN ISSUERS.—The Comptroller of the Currency shall, in coordination with other relevant regulators and consistent with section 18 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025, issue such regulations and orders as necessary to ensure financial stability and implement section 4(a) of that Act.”.~~

~~(10) AUDITS AND REPORTS.—~~

~~(A) ANNUAL FINANCIAL STATEMENT.—~~

~~(i) IN GENERAL.—A permitted payment stablecoin issuer with more than \$50,000,000,000 in consolidated total outstanding issuance, that is not subject to the reporting requirements under sections 13(a) or 15(d) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m, 78o(d)), shall prepare, in accordance with generally accepted accounting principles,~~

~~an annual financial statement, which shall include the disclosure of any related party transactions, as defined by such generally accepted accounting principles.~~

~~(ii) AUDITOR.—A registered public accounting firm shall perform an audit of the annual financial statements described in clause (i).~~

~~(iii) STANDARDS.—An audit described in clause (ii) shall be conducted in accordance with all applicable auditing standards established by the Public Company Accounting Oversight Board, including those relating to auditor independence, internal controls, and related party transactions.~~

~~(iv) RULE OF CONSTRUCTION.—Nothing in this subparagraph shall be construed to limit, alter, or expand the jurisdiction of the Public Company Accounting Oversight Board over permitted payment stablecoin issuers or registered public accounting firms.~~

~~(B) PUBLIC DISCLOSURE AND SUBMISSION TO FEDERAL REGULATORS.—Each permitted payment stablecoin issuer required to prepare~~

~~an audited annual financial statement under subparagraph (A) shall:~~

~~(i) make such audited financial statements publicly available on the website of the permitted payment stablecoin issuer; and~~

~~(ii) submit such audited financial statements annually to their primary Federal payment stablecoin regulator.~~

~~(C) Consultation.—The primary Federal payment stablecoin regulators may consult with the Public Company Accounting Oversight Board to determine best practices for determining audit oversight and to detect fraud, material misstatements, and other financial misrepresentations that could mislead permitted payment stablecoin holders.~~

~~(b) State-level Regulatory Regimes.—~~

~~(1) Option for state-level regulatory regime.—Notwithstanding the Federal regulatory framework established under subsection (a), a State qualified payment stablecoin issuer with a consolidated total outstanding issuance of not more than $10,000,000,000 may opt for regulation under a State-level regulatory regime, provided that the~~

~~State-level regulatory regime is substantially similar to the Federal regulatory framework under that subsection.~~

~~(2) PRINCIPLES.—The Secretary of the Treasury shall, through notice and comment rulemaking, establish broad based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework under subsection (a).~~

~~(3) REVIEW.—State payment stablecoin regulators shall review State-level regulatory regimes according to the principles established by the Secretary of the Treasury under paragraph (2) and for the purposes of establishing any necessary cooperative agreements to implement section 7(f).~~

~~(4) CERTIFICATION.—~~

~~(A) INITIAL CERTIFICATION.—Subject to subparagraph (B), not later than 1 year after the effective date of this Act, a State payment stablecoin regulator shall submit to the Secretary of the Treasury an initial certification that the State-level regulatory regime meets the criteria for substantial similarity established pursuant to paragraph (2).~~

~~(B) FORM OF CERTIFICATION.—The initial certification required under subparagraph (A) shall contain, in a form prescribed by the Secretary of the Treasury, an attestation that the State-level regulatory regime meets the criteria for substantial similarity established pursuant to paragraph (2).~~

~~(C) ANNUAL RECERTIFICATION.—Not later than a date to be determined by the Secretary each year, a State payment stablecoin regulator shall submit to the Secretary of the Treasury an additional certification that confirms the accuracy of initial certification submitted under subparagraph (A).~~

~~(5) NOT SUBSTANTIALLY SIMILAR.—~~

~~(A) IN GENERAL.—If a State payment stablecoin regulator determines that the criteria established under paragraph (2) are not meet and the State payment stablecoin regulator does not submit a certification under paragraph (4), then a permitted payment stablecoin issuer operating under this subsection shall be subject to the Federal regulatory framework as described in subsection (c), notwithstanding the total issuance threshold therein.~~

~~(B) TREASURY REVIEW.—Not later than 30 days after the date of receipt of a certification under paragraph (4), the Secretary reject the certification if the Secretary determines that the State-level regulatory regime is not substantially similar to the Federal regulatory framework under subsection (a), and the permitted payment stablecoin issuer shall be subject to the Federal regulatory framework as described in subsection (c), notwithstanding the total issuance threshold therein.~~

~~(C) APPELLATE REVIEW.—A State payment stablecoin regulator may challenge the determination of the Secretary of the Treasury under this paragraph in the United States Court of Appeals for the District of Columbia Circuit.~~

~~(6) LIST.—The Secretary of the Treasury shall publish and maintain in the Federal Register and on the website of the Department of the Treasury a list of States that have submitted initial certifications and recertifications under paragraph (4).~~

~~(c) TRANSITION TO FEDERAL OVERSIGHT.—~~

~~(1) DEPOSITORY INSTITUTION.—A State chartered depository institution that is a State qualified~~

~~payment stablecoin issuer with a payment stablecoin with a consolidated total outstanding issuance of more than $10,000,000,000 shall—~~

~~(A) not later than 360 days after the payment stablecoin reaches such threshold, transition to the Federal regulatory framework of the primary Federal payment stablecoin regulator of the State chartered depository institution, which shall be administered by the State payment stablecoin regulator of the State chartered depository institution and the primary Federal payment stablecoin regulator acting jointly; or~~

~~(B) beginning on the date the payment stablecoin reaches such threshold, cease issuing new payment stablecoins until the payment stablecoin is under the $10,000,000,000 consolidated total outstanding issuance threshold.~~

~~(2) OTHER INSTITUTIONS.—A State qualified payment stablecoin issuer not described in paragraph (1) with a payment stablecoin with a consolidated total outstanding issuance of more than $10,000,000,000 shall—~~

~~(A) not later than 360 days after the payment stablecoin reaches such threshold, transition to the Federal regulatory framework under~~

~~subsection (a) administered by the State payment stablecoin regulator of the State qualified payment stablecoin issuer; or~~

~~(B) beginning on the date the payment stablecoin reaches such threshold, cease issuing new payment stablecoins until the payment stablecoin is under the $10,000,000,000 consolidated total outstanding issuance threshold.~~

~~(3) WAIVER.—~~

~~(A) IN GENERAL.—Notwithstanding paragraphs (1) and (2), the applicable primary Federal payment stablecoin regulator may permit a State qualified payment stablecoin issuer with a payment stablecoin with a consolidated total outstanding issuance of more than $10,000,000,000 to remain solely supervised by a State payment stablecoin regulator.~~

~~(B) CRITERIA FOR WAIVER.—The primary Federal payment stablecoin regulator shall consider the following exclusive criteria in determining whether to issue a waiver under this paragraph:~~

~~(i) The capital maintained by the State qualified payment stablecoin issuer.~~

~~(ii) The past operations and examination history of the State qualified payment stablecoin issuer.~~

~~(iii) The experience of the State payment stablecoin regulator in supervising payment stablecoin and digital asset activities.~~

~~(iv) The laws and rules applicable to, and the supervisory framework of, the State qualified payment stablecoin issuer with respect to payment stablecoins and digital assets.~~

~~(C) RULE OF CONSTRUCTION.—A State qualified payment stablecoin issuer subject to Federal oversight under paragraph (1) or (2) of this subsection that does not receive a waiver under this paragraph shall continue to be supervised by the State payment stablecoin regulator of the State qualified payment stablecoin issuer along jointly with the primary Federal payment stablecoin regulator. Nothing in this subsection shall require the State qualified payment stablecoin issuer to convert to a Federal charter.~~

~~(d) MISREPRESENTATION OF INSURED STATUS; MARKETING.—~~

~~(1) IN GENERAL.—Payment stablecoins shall not be backed by the full faith and credit of the United States, guaranteed by the United States Government, subject to deposit insurance by the Federal Deposit Insurance Corporation, or subject to share insurance by the National Credit Union Administration.~~

~~(2) MISREPRESENTATION OF INSURED STATUS.—~~

~~(A) IN GENERAL.—It shall be unlawful to represent that payment stablecoins are backed by the full faith and credit of the United States, guaranteed by the United States Government, or subject to Federal deposit insurance or Federal share insurance.~~

~~(B) PENALTY.—A violation of subparagraph (A) shall be considered a violation of section 18(a)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1828(a)(4)) or section 709 of title 18, United States Code, as applicable.~~

~~(3) MARKETING.—It shall be unlawful to market a digital asset in the United States as a payment~~

~~stablecoin unless the digital asset is issued pursuant to this Act.~~

~~(c) OFFICERS OR DIRECTORS CONVICTED OF CERTAIN FELONIES.—~~

~~(1) IN GENERAL.—No individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud may serve as—~~

~~(A) an officer of a payment stablecoin issuer; or~~

~~(B) a director of a payment stablecoin issuer.~~

~~(2) PENALTY.—~~

~~(A) IN GENERAL.—Whoever knowingly participates in a violation of paragraph (1) shall be fined not more than $1,000,000 for each such violation, imprisoned for not more than 5 years, or both.~~

~~(B) REFERRAL TO ATTORNEY GENERAL.—If a Federal payment stablecoin regulator has reason to believe that any person has knowingly violated paragraph (1), the Federal payment stablecoin regulator shall refer the matter to the Attorney General.~~

~~(f) RULEMAKING.—~~

~~(1) IN GENERAL.—Consistent with section 18, the primary Federal payment stablecoin regulators and State payment stablecoin regulators shall issue such regulations as may be necessary to establish a payment stablecoin regulatory framework necessary to administer and carry out the requirements of this section, including to establish conditions, and to prevent evasions thereof.~~

~~(2) JOINT ISSUANCE OF REGULATION.—All regulations issued to carry out this section shall be issued jointly by the primary Federal payment stablecoin regulators, if not issued by a State payment stablecoin regulator.~~

~~**SEC. 5. APPROVAL OF SUBSIDIARIES OF INSURED DEPOSITORY INSTITUTIONS AND FEDERAL QUALIFIED NONBANK PAYMENT STABLECOIN ISSUERS.**~~

~~(a) APPLICATION.—~~

~~(1) IN GENERAL.—Each primary Federal payment stablecoin regulator shall receive, review, and consider for approval applications from any insured depository institution that seeks to issue payment stablecoins through a subsidiary and any nonbank entity that seeks to issue payment stablecoins as a~~

~~Federal qualified nonbank payment stablecoin issuer. Each primary Federal payment stablecoin regulator shall establish a process and framework for the licensing, regulation, examination, and supervision of such entities that prioritizes the safety and soundness of such entities.~~

~~(2) AUTHORITY TO ISSUE REGULATIONS AND PROCESS APPLICATIONS.—The primary Federal payment stablecoin regulators shall, before the date described in section 18—~~

~~(A) issue regulations consistent with that section to carry out this section; and~~

~~(B) pursuant to the regulations described in subparagraph (A), accept and process applications under this Act.~~

~~(3) MANDATORY APPROVAL PROCESS.—The primary Federal payment stablecoin regulator shall, upon receipt of a substantially complete application, evaluate and make a determination on each application based on the criteria established under this Act.~~

~~(b) EVALUATION OF APPLICATIONS.—A substantially complete application received under subsection (a) shall be evaluated by the primary Federal payment stablecoin regulator using the factors described in subsection (c).~~

~~(c) FACTORS TO BE CONSIDERED.—The factors described in this subsection are the following:~~

~~(1) The ability of the applicant (or, in the case of an applicant that is an insured depository institution, the subsidiary of the applicant), based on financial condition and resources, to meet the requirements set forth under section 4.~~

~~(2) Whether an individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud is serving as an officer or director of the applicant.~~

~~(3) Any other factors established by the primary Federal payment stablecoin regulator that are necessary to ensure the safety and soundness of the permitted payment stablecoin issuer.~~

~~(d) TIMING FOR DECISION; GROUNDS FOR DENIAL.—~~

~~(1) TIMING FOR DECISIONS ON APPLICATIONS.—~~

~~(A) IN GENERAL.—Not later than 120 days after receiving a substantially complete application under subsection (a), a primary Federal payment stablecoin regulator shall render a decision on the application.~~

~~(B) SUBSTANTIALLY COMPLETE.—~~

~~(i) IN GENERAL.—For purposes of subparagraph (A), an application shall be considered substantially complete if the application contains sufficient information for the primary Federal payment stablecoin regulator to render a decision on whether the applicant satisfies the criteria under subsection (c).~~

~~(ii) NOTIFICATION.—Not later than 30 days after receiving an application under subsection (a), a primary Federal payment stablecoin regulator shall notify the applicant whether the primary Federal payment stablecoin regulator considers the application to be substantially complete and, if the application is not substantially complete, the additional information the applicant must provide in order for the application to be considered substantially complete.~~

~~(iii) MATERIAL CHANGE IN CIRCUMSTANCES.—An application considered substantially complete under this subparagraph remains substantially complete un-~~

~~less there is a material change in circumstances that requires the primary Federal payment stablecoin regulator to treat the application as a new application.~~

~~(2) DENIAL OF APPLICATION.—~~

~~(A) GROUNDS FOR DENIAL.—~~

~~(i) IN GENERAL.—The primary Federal payment stablecoin regulator shall only deny a complete application received under subsection (a) if the regulator determines that the activities of the applicant would be unsafe or unsound based on the factors described in subsection (c).~~

~~(ii) ISSUANCE NOT GROUND FOR DENIAL.—The issuance of a payment stablecoin on an open, public, or decentralized network shall not be a valid ground for denial of an application.~~

~~(B) EXPLANATION REQUIRED.—If the primary Federal payment stablecoin regulator denies a complete application received under subsection (a), not later than 30 days after the date of such denial, the regulator shall provide the applicant with written notice explaining the denial with specificity, including all findings~~

~~made by the regulator with respect to all identified material shortcomings in the application, including actionable recommendations on how the applicant could address the identified material shortcomings.~~

~~(C) OPPORTUNITY FOR HEARING; FINAL DETERMINATION.—~~

~~(i) IN GENERAL.—Not later than 30 days after the date of receipt of any notice of the denial of an application under this section, the applicant may request, in writing, an opportunity for a written or oral hearing before the primary Federal payment stablecoin regulator to appeal the denial.~~

~~(ii) TIMING.—Upon receipt of a timely request, the primary Federal payment stablecoin regulator shall notice a time (not later than 30 days after the date of receipt of the request) and place at which the applicant may appear, personally or through counsel, to submit written materials or provide oral testimony and oral argument).~~

~~(iii) Final determination.—Not later than 60 days after the date of a hearing under this subparagraph, the primary Federal payment stablecoin regulator shall notify the applicant of a final determination, which shall contain a statement of the basis for that determination, with specific findings.~~

~~(iv) Notice if no hearing.—If an applicant does not make a timely request for a hearing under this subparagraph, the primary Federal payment stablecoin regulator shall notify the applicant, not later than 10 days after the date by which the applicant may request a hearing under this subparagraph, in writing, that the denial of the application is a final determination of the primary Federal payment stablecoin regulator.~~

~~(3) Failure to render a decision.—If the primary Federal payment stablecoin regulator fails to render a decision on a complete application within the time period specified in paragraph (1), the application shall be deemed approved.~~

~~(4) RIGHT TO REAPPLY.—The denial of an application under this section shall not prohibit the applicant from filing a subsequent application.~~

~~(e) REPORT ON PENDING APPLICATIONS.—The primary Federal payment stablecoin regulators shall annually report to Congress on the applications under subsection (a) that have been pending for 180 days or more since the date the initial application was filed and for which the applicant has been informed that the application remains incomplete, including documentation on the status of such applications and why such applications have not yet been approved.~~

~~(f) RULEMAKING.—Consistent with section 18, the primary Federal payment stablecoin regulators shall rules necessary for the regulation of the issuance of payment stablecoins, but may not impose requirements in addition to the requirements specified under section 4.~~

~~SEC. 6. SUPERVISION AND ENFORCEMENT WITH RESPECT TO SUBSIDIARIES OF INSURED DEPOSITORY INSTITUTIONS AND COMPTROLLER-REGULATED ENTITIES.~~

~~(a) SUPERVISION.—~~

~~(1) IN GENERAL.—Each permitted payment stablecoin issuer that is not a State qualified payment stablecoin issuer with a payment stablecoin~~

~~with a consolidated total outstanding issuance of less than $10,000,000,000 shall be subject to supervision by the appropriate primary Federal payment stablecoin regulator.~~

~~(2) SUBMISSION OF REPORTS.—Each permitted payment stablecoin issuer described in paragraph (1) shall, upon request, submit to its primary Federal payment stablecoin regulator a report on—~~

~~(A) the financial condition of the permitted payment stablecoin issuer;~~

~~(B) the systems of the permitted payment stablecoin issuer for monitoring and controlling financial and operating risks; and~~

~~(C) compliance by the permitted payment stablecoin issuer (and any subsidiary thereof) with this Act.~~

~~(3) EXAMINATIONS.—The primary Federal payment stablecoin regulator shall examine a permitted payment stablecoin issuer described in paragraph (1) in order to assess—~~

~~(A) the nature of the operations and financial condition of the permitted payment stablecoin issuer;~~

~~(B) the financial, operational, technological, and other risks within the permitted~~

~~payment stablecoin issuer that may pose a threat to—~~

~~(i) the safety and soundness of the permitted payment stablecoin issuer; or~~

~~(ii) the stability of the financial system of the United States; and~~

~~(C) the systems of the permitted payment stablecoin issuer for monitoring and controlling the risks described in subparagraph (B).~~

~~(4) REQUIREMENTS FOR EFFICIENCY.—~~

~~(A) USE OF EXISTING REPORTS.—In supervising and examining a permitted payment stablecoin issuer under this subsection, the primary Federal payment stablecoin regulator shall, to the fullest extent possible, use existing reports and other supervisory information.~~

~~(B) AVOIDANCE OF DUPLICATION.—A primary Federal payment stablecoin regulator shall, to the fullest extent possible, avoid duplication of examination activities, reporting requirements, and requests for information in carrying out this subsection with respect to a permitted payment stablecoin issuer.~~

~~(C) CONSIDERATION OF BURDEN.—A primary Federal payment stablecoin regulator~~

~~shall, with respect to any examination or request for the submission of a report under this subsection, only request examinations and reports at a cadence and in a format that is similar to those required for similarly situated entities regulated by the primary Federal payment stablecoin regulator.~~

~~(b) ENFORCEMENT.—~~

~~(1) SUSPENSION OR REVOCATION OF REGISTRATION.—The primary Federal payment stablecoin regulator of a permitted payment stablecoin issuer that is not a State qualified payment stablecoin issuer may prohibit the permitted payment stablecoin issuer from issuing payment stablecoins, if the primary Federal payment stablecoin regulator determines that such permitted payment stablecoin issuer, or an institution-affiliated party of the permitted payment stablecoin issuer—~~

~~(A) is recklessly violating or has recklessly violated this Act or any regulation or order issued under this Act; or~~

~~(B) is recklessly violating or has recklessly violated any condition imposed in writing by the primary Federal payment stablecoin regulator in connection with a written agreement entered~~

~~into between the permitted payment stablecoin issuer and the primary Federal payment stablecoin regulator.~~

~~(2) CEASE-AND-DESIST PROCEEDINGS.—If the primary Federal payment stablecoin regulator of a permitted payment stablecoin issuer that is not a State qualified payment stablecoin issuer has reasonable cause to believe that the permitted payment stablecoin issuer or any institution-affiliated party of the permitted payment stablecoin issuer is violating, has violated, or is attempting to violate this Act, any regulation or order issued under this Act, or any written agreement entered into with the primary Federal payment stablecoin regulator or condition imposed in writing by the primary Federal payment stablecoin regulator in connection with any application or other request, the primary Federal payment stablecoin regulator may, by provisions that are mandatory or otherwise, order the permitted payment stablecoin issuer or institution-affiliated party of the permitted payment stablecoin issuer to—~~

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

~~(B) take affirmative action to correct the conditions resulting from any such violation or practice.~~

~~(3) REMOVAL AND PROHIBITION AUTHORITY.—The primary Federal payment stablecoin regulator of a permitted payment stablecoin issuer that is not a State qualified payment stablecoin issuer may remove an institution-affiliated party of the permitted payment stablecoin issuer from their position or office or prohibit further participation in the affairs of the permitted payment stablecoin issuer or all such permitted payment stablecoin issuers by such institution-affiliated party, if the primary Federal payment stablecoin regulator determines that—~~

~~(A) the institution-affiliated party has knowingly committed a violation or attempted violation of this Act or any regulation or order issued under this Act; or~~

~~(B) the institution-affiliated party has knowingly committed a violation of any provision of subchapter II of chapter 53 of title 31, United States Code.~~

~~(4) PROCEDURES.—~~

~~(A) IN GENERAL.—If a primary Federal payment stablecoin regulator identifies a viola-~~

~~tion or attempted violation of this Act or makes a determination under paragraph (1), (2), or (3), the primary Federal payment stablecoin regulator shall comply with the procedures set forth in subsections (b) and (c) of sections 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818).~~

~~(B) JUDICIAL REVIEW.—A person aggrieved by a final action under this subsection may obtain judicial review of such action exclusively as provided in section 8(h) of the Federal Deposit Insurance Act (12 U.S.C. 1818(h)).~~

~~(C) INJUNCTION.—The primary Federal payment stablecoin regulator may, in the discretion of the regulator, follow the procedures provided in section 8(i)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)(1)) for judicial enforcement of any effective and outstanding notice or order issued under this subsection.~~

~~(D) TEMPORARY CEASE-AND-DESIST PROCEEDINGS.—If the primary Federal payment stablecoin regulator determines that a violation or attempted violation of this Act or an action with respect to which a determination was made~~

~~under paragraph (1), (2), or (3), or the continuation thereof, is likely to cause insolvency or significant dissipation of assets or earnings of a permitted payment stablecoin issuer, or is likely to weaken the condition of the permitted payment stablecoin issuer or otherwise prejudice the interests of the customers of the permitted payment stablecoin issuer prior to the completion of the proceedings conducted under this paragraph, the primary Federal payment stablecoin regulator may follow the procedures provided in section 8(c) of the Federal Deposit Insurance Act (12 U.S.C. 1818(c)) to issue a temporary cease-and-desist order.~~

~~(5) CIVIL MONEY PENALTIES.—~~

~~(A) FAILURE TO BE APPROVED.—Any person who issues a United States dollar-denominated payment stablecoin in violation of section 3, and any institution-affiliated party of such a person who knowingly participates in issuing such a payment stablecoin, shall be liable for a civil penalty of not more than $100,000 for each day during which such payment stablecoins are issued.~~

~~(B) FIRST TIER.—Except as provided in subparagraph (A), a permitted payment stablecoin issuer or institution-affiliated party of such permitted payment stablecoin issuer that materially violates this Act or any regulation or order issued under this Act, or that materially violates any condition imposed in writing by the primary Federal payment stablecoin regulator in connection with a written agreement entered into between the permitted payment stablecoin issuer and the primary Federal payment stablecoin regulator, shall be liable for a civil penalty of up to $100,000 for each day during which the violation continues.~~

~~(C) SECOND TIER.—Except as provided in subparagraph (A), and in addition to the penalties described under subparagraph (B), a permitted payment stablecoin issuer or institution-affiliated party of such permitted payment stablecoin issuer who knowingly participates in a violation of any provision of this Act, or any regulation or order issued thereunder, is liable for a civil penalty of up to an additional $100,000 for each day during which the violation continues.~~

~~(D) PROCEDURE.—Any penalty imposed under this paragraph may be assessed and collected by the primary Federal payment stablecoin regulator pursuant to the procedures set forth in section 8(i)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)(2)).~~

~~(E) NOTICE AND ORDERS AFTER SEPARATION FROM SERVICE.—The resignation, termination of employment or participation, or separation of an institution-affiliated party (including a separation caused by the closing of a permitted payment stablecoin issuer) shall not affect the jurisdiction and authority of the primary Federal payment stablecoin regulator to issue any notice or order and proceed under this subsection against any such party, if such notice or order is served before the end of the 6-year period beginning on the date such party ceased to be an institution-affiliated party with respect to such permitted payment stablecoin issuer.~~

~~(6) NON-APPLICABILITY TO A STATE QUALIFIED PAYMENT STABLECOIN ISSUER.—Notwithstanding anything in this subsection to the contrary,~~

~~this subsection shall not apply to a State qualified payment stablecoin issuer.~~

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

~~(a) IN GENERAL.—A State payment stablecoin regulator shall have supervisory, examination, and enforcement authority over all State qualified payment stablecoin issuers of such State.~~

~~(b) AUTHORITY TO ENTER INTO AGREEMENTS WITH THE BOARD.—A State payment stablecoin regulator may enter into a memorandum of understanding with the Board, by mutual agreement, under which the Board may participate in the supervision, examination, and enforcement of this Act with respect to the State qualified payment stablecoin issuers of such State.~~

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

~~(d) RULEMAKING.—A State payment stablecoin regulator may issue orders and rules under section 4 applicable to State qualified payment stablecoin issuers to the same extent as the primary Federal payment stablecoin regulators issue orders and rules under section 4 applicable~~

~~to permitted payment stablecoin issuers that are not a State qualified payment stablecoin issuers.~~

~~(e) ENFORCEMENT AUTHORITY IN UNUSUAL AND EXIGENT CIRCUMSTANCES.—~~

~~(1) BOARD.—~~

~~(A) IN GENERAL.—Subject to subparagraph (C), under unusual and exigent circumstances that the Board determines to exist, the Board may, after not less than 48 hours prior written notice to the applicable State payment stablecoin regulator, take an enforcement action against a State qualified payment stablecoin issuer or an institution-affiliated party of such issuer for violations of this Act during such unusual and exigent circumstances.~~

~~(B) RULEMAKING.—Consistent with section 18, the Board shall issue rules to set forth the unusual and exigent circumstances in which the Board may act under this paragraph.~~

~~(C) LIMITATIONS.—If, after unusual and exigent circumstances are determined to exist pursuant to subparagraph (A), the Board determines that there is reasonable cause to believe that the continuation by a State qualified payment stablecoin issuer of any activity con-~~

~~stitutes a serious risk to the financial safety, soundness, or stability of the State qualified payment stablecoin issuer, the Board may impose such restrictions as the Board determines to be necessary to address such risk during such usual and exigent circumstances. Such restrictions shall be issued in the form of a directive, with the effect of a cease and desist order that has become final, to the State qualified payment stablecoin issuer and any of its affiliates, limiting—~~

~~(i) the payment of dividends by the State qualified payment stablecoin issuer;~~

~~(ii) transactions between the State qualified payment stablecoin issuer, a holding company, and the subsidiaries or affiliates of either the State qualified payment stablecoin issuer or the holding company; and~~

~~(iii) any activities of the State qualified payment stablecoin issuer that might create a serious risk that the liabilities of a holding company and the affiliates of the holding company may be imposed on the State qualified payment stablecoin issuer.~~

~~(D) REVIEW OF DIRECTIVE.—~~

~~(i) ADMINISTRATIVE REVIEW.—~~

~~(I) IN GENERAL.—After a directive described in subparagraph (C) is issued, the State qualified payment stablecoin issuer, or any institution-affiliated party of the State qualified payment stablecoin issuer subject to the directive, may object and present to the Board, in writing, the reasons why the directive should be modified or rescinded.~~

~~(II) AUTOMATIC LAPSE OF DIRECTIVE.—If, after 10 days after the receipt of a response described in subclause (I), the Board does not affirm, modify, or rescind the directive, the directive shall automatically lapse.~~

~~(ii) JUDICIAL REVIEW.—~~

~~(I) IN GENERAL.—If the Board affirms or modifies a directive pursuant to clause (i), any affected party may immediately thereafter petition the United States district court for the district in which the main office of~~

~~the affected party is located or in the United States District Court for the District of Columbia to stay, modify, terminate, or set aside the directive.~~

~~(II) RELIEF FOR EXTRAORDINARY CAUSE.—Upon a showing of extraordinary cause, an affected party may petition for relief under subclause (I) without first pursuing or exhausting the administrative remedies under clause (i).~~

~~(2) COMPTROLLER.—~~

~~(A) IN GENERAL.—Subject to subparagraph (C), under unusual and exigent circumstances determined to exist by the Comptroller, the Comptroller shall, after not less than 48 hours prior written notice to the applicable State payment stablecoin regulator, take an enforcement action against a State qualified payment stablecoin issuer that is a nonbank entity for violations of this Act.~~

~~(B) RULEMAKING.—Consistent with section 18, the Comptroller shall issue rules to set forth the unusual and exigent circumstances in~~

~~which the Comptroller may act under this paragraph.~~

~~(C) LIMITATIONS.—If, after unusual and exigent circumstances are determined to exist under subparagraph (A), the Comptroller determines that there is reasonable cause to believe that the continuation by a State qualified payment stablecoin issuer that is a nonbank entity of any activity constitutes a serious risk to the financial safety, soundness, or stability of the State qualified payment stablecoin issuer that is a nonbank entity, the Comptroller shall impose such restrictions as the Comptroller determines to be necessary to address such risk during such unusual and exigent circumstances. Such restrictions shall be issued in the form of a directive, with the effect of a cease and desist order that has become final, to the State qualified payment stablecoin issuer that is a nonbank entity and any of its affiliates, limiting—~~

~~(i) the payment of dividends by the State qualified payment stablecoin issuer;~~

~~(ii) transactions between the State qualified payment stablecoin issuer, a hold-~~

~~ing company, and the subsidiaries or affiliates of either the State qualified payment stablecoin issuer or the holding company; and~~

~~(iii) any activities of the State qualified payment stablecoin issuer that might create a serious risk that the liabilities of a holding company and the affiliates of the holding company may be imposed on the State qualified payment stablecoin issuer.~~

~~(D) REVIEW OF DIRECTIVE.—~~

~~(i) ADMINISTRATIVE REVIEW.—~~

~~(I) IN GENERAL.—After a directive described in subparagraph (C) is issued, the Comptroller-regulated entity, or any institution-affiliated party of the Comptroller-regulated entity subject to the directive, may object and present to the Comptroller, in writing, the reasons why the directive should be modified or rescinded.~~

~~(II) AUTOMATIC LAPSE OF DIRECTIVE.—If, after 10 days after the receipt of a response described in subclause (I), the Comptroller does not~~

~~affirm, modify, or rescind the directive, the directive shall automatically lapse.~~

~~(ii) JUDICIAL REVIEW.—~~

~~(I) IN GENERAL.—If the Comptroller affirms or modifies a directive pursuant to clause (i), any affected party may immediately thereafter petition the United States district court for the district in which the main office of the affected party is located or in the United States District Court for the District of Columbia to stay, modify, terminate, or set aside the directive.~~

~~(II) RELIEF FOR EXTRAORDINARY CAUSE.—Upon a showing of extraordinary cause, an affected party may petition for relief under subclause (I) without first pursuing or exhausting the administrative remedies under clause (i).~~

~~(f) EFFECT ON STATE LAW.—~~

~~(1) HOST STATE LAW.—The laws of a host State, including generally applicable laws relating to~~

~~consumer protection, shall only apply to the activities conducted in the host State by an out-of-State State qualified payment stablecoin issuer to the same extent as such laws apply to the activities conducted in the host State by an out-of-State Federal qualified nonbank payment stablecoin issuer.~~

~~(2) HOME STATE LAW.—If any host State law is determined not to apply under paragraph (1), the laws of the home State of the State qualified payment stablecoin issuer shall govern the activities of the permitted payment stablecoin issuer conducted in the host State.~~

~~(3) APPLICABILITY.—The laws applicable under paragraph (1) exclude host State laws governing the chartering, licensure, or other authorization to do business in the host State as a permitted payment stablecoin issuer pursuant to this Act.~~

~~SEC. 8. ANTI-MONEY LAUNDERING PROTECTIONS.~~

~~(a) DEFINITIONS.—In this subsection:~~

~~(1) DIGITAL ASSET SERVICE PROVIDER.—The term "digital asset service provider"—~~

~~(A) means a person that, for compensation or profit, engages in the business in the United States or for customers or users in the United States, of—~~

~~(i) exchanging digital assets for monetary value;~~

~~(ii) exchanging digital assets for other digital assets;~~

~~(iii) transferring digital assets to a third party;~~

~~(iv) acting as a digital asset custodian; or~~

~~(v) participating in financial services related to a digital asset issuance; and~~

~~(B) does not include—~~

~~(i) a distributed ledger protocol or a person solely developing such a protocol; or~~

~~(ii) a person solely validating transactions or operating a distributed ledger node.~~

~~(2) OFFERING.—The term "offering" means making available for purchase, sale, or exchange.~~

~~(3) DISTRIBUTED LEDGER PROTOCOL.—The term "distributed ledger protocol" means publicly available and accessible executable software deployed to a distributed ledger, including smart contracts or networks of smart contracts.~~

~~(4) LAWFUL ORDER.—The term "lawful order" means any final and valid writ, process, order, rule,~~

~~decree, command, or other requirement issued or promulgated under Federal law, issued by a court of competent jurisdiction or by an authorized Federal agency pursuant to its statutory authority, that—~~

~~(A) requires a permitted payment stablecoin issuer to seize, freeze, burn, or prevent the transfer of payment stablecoins issued by the permitted payment stablecoin issuer;~~

~~(B) specifies the digital assets or accounts subject to blocking with reasonable particularity; and~~

~~(C) is subject to judicial or administrative review or appeal as provided by law.~~

~~(b) TREASURY AUTHORITY TO DESIGNATE NON-COMPLIANT ISSUERS.—Not later than 30 days after the Department of the Treasury has identified the failure of a foreign issuer of any payment stablecoins trading in the United States that is not a permitted payment stablecoin issuer to comply with the terms of any lawful order, the Secretary of the Treasury, in coordination with relevant Federal agencies, shall designate the foreign issuer as non-compliant and notify the foreign issuer in writing of the designation.~~

~~(c) PUBLICATION OF DESIGNATION; PROHIBITION ON SECONDARY TRADING.—~~

~~(1) In general.—If a foreign issuer described in subsection (b) does not come into compliance with the lawful order within 30 days of receiving the written notice described in that subsection, the Secretary of the Treasury shall—~~

~~(A) publish the determination of noncompliance in the Federal Register, including a statement on the failure of the foreign issuer to comply with the lawful order after the written notice; and~~

~~(B) issue a notification in the Federal Register prohibiting digital asset service providers from facilitating secondary trading of payment stablecoins issued by the foreign issuer in the United States.~~

~~(2) Effective date of prohibition.—The prohibition on facilitation of secondary trading described in paragraph (1) shall become effective on the date that is 30 days after the date of issue of notification of the prohibition in the Federal Register.~~

~~(3) Waivers and extensions.—With respect to the prohibition on facilitation of secondary trading described in paragraph (1), the Secretary of the Treasury may issue waivers and time extensions to~~

~~digital asset service providers on a case by case basis.~~

~~(4) CIVIL MONETARY PENALTIES.—~~

~~(A) DIGITAL ASSET SERVICE PROVIDERS.—Any digital asset service provider that knowingly violates a prohibition under paragraph (1)(B) shall be subject to a civil monetary penalty of not more than $100,000 per violation per day.~~

~~(B) FOREIGN PAYMENT STABLECOIN ISSUERS.—Any foreign issuer of payment stablecoin that knowingly continues to publicly offer a payment stablecoin in the United States after publication of the determination of noncompliance under paragraph (1)(A) shall be subject to a civil monetary penalty of not more than $1,000,000 per violation per day, and the Secretary of the Treasury may seek an injunction in a United States District Court to bar the foreign issuer from engaging in financial transactions in the United States or with United States persons.~~

~~(d) APPEAL.—A determination of noncompliance under subsection (b) is subject to judicial review in the~~

~~United States Court of Appeals for the District of Columbia Circuit.~~

~~(c) WAIVER, LICENSING AUTHORITY, AND EXCEPTIONS.—~~

~~(1) IN GENERAL.—The Secretary of the Treasury may offer a waiver, general license, or specific license to any United States persons engaging in secondary trading described in subsection (c) on a case by case basis if the Secretary determines that—~~

~~(A) prohibiting secondary trading would adversely affect the financial system of the United States; or~~

~~(B) the foreign issuer of the payment stablecoin is taking tangible steps to remedy the failure to comply with the lawful order that resulted in the noncompliance determination under subsection (b).~~

~~(2) NATIONAL SECURITY WAIVER.—The President may waive the application of the secondary trading restrictions under subsection (c) if the President determines that the waiver is in the national security interest of the United States.~~

~~(3) EXCEPTIONS FOR INTELLIGENCE AND LAW ENFORCEMENT ACTIVITIES.—This Act shall not apply with respect to—~~

~~(A) activities subject to the reporting requirements under title V of the National Security Act of 1947 (50 U.S.C. 3091 et seq.) or any authorized intelligence activities of the United States; or~~

~~(B) activities necessary to carry out or assist law enforcement activity of the United States.~~

~~(4) REPORT REQUIRED.—Not later than 7 days after issuing a waiver or a license under paragraph (1), the Secretary of the Treasury shall submit a report to the Chairmen and Ranking members of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives, including the text of the waiver or license, as well as the facts and circumstances justifying the waiver determination, and provide a briefing on the report.~~

~~SEC. 9. CUSTODY OF PAYMENT STABLECOIN RESERVE AND COLLATERAL.~~

~~(a) IN GENERAL.—A person may only engage in the business of providing custodial or safekeeping services for the payment stablecoin reserve, the payment stablecoins used as collateral, or the private keys of permitted payment stablecoins if the person—~~

~~(1) is subject to—~~

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

~~(B) supervision by a State bank supervisor, as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or a State credit union supervisor, as defined under section 6003 of the Anti-Money Laundering Act of 2020, and such state bank supervisor or state credit union supervisor makes available to the Board such information as the Board determines necessary and relevant to the categories of information under subsection (d); and~~

~~(2) complies with the requirements under subsection (b), unless such person complies with similar requirements as required by a primary Federal payment stablecoin regulator, the Securities and Exchange Commission, or the Commodity Futures Trading Commission.~~

~~(b) Customer Property Requirement.—A person described in subsection (a) shall—~~

~~(1) treat and deal with the payment stablecoins, private keys, cash, and other property of a person for whom or on whose behalf the person receives, acquires, or holds payment stablecoins, private keys, cash, and other property (hereinafter in this section referred to as the "customer") as belonging to such customer and is not the property of such person; and~~

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

~~(c) Commingling Prohibited.—~~

~~(1) In general.—Payment stablecoins, cash, and other property of a customer shall be separately accounted for by a person described in subsection (a) and shall be segregated from and not be commingled with the funds of the person.~~

~~(2) Exception.—Notwithstanding paragraph (1)—~~

~~(A) the payment stablecoins, cash, and other property of a customer may, for convenience, be commingled and deposited in an omni-~~

~~bus account holding the payment stablecoins, cash, and other property of more than 1 customer at a State chartered depository institution, an insured depository institution, national bank, or trust company;~~

~~(B) such share of the payment stablecoins, cash, and other property of the customer that shall be necessary to transfer, adjust, or settle a transaction or transfer of assets may be withdrawn and applied to such purposes, including the payment of commissions, taxes, storage, and other charges lawfully accruing in connection with the provision of services by a person described in subsection (a); or~~

~~(C) in accordance with such terms and conditions as a primary Federal payment stablecoin regulator may prescribe by rule, regulation, or order, any customer payment stablecoin, cash, and other property described in this subsection may be commingled and deposited in customer accounts with payment stablecoins, cash, and other property received by the person and required by the primary Federal payment stablecoin regulator to be sepa-~~

~~rately accounted for, treated, and dealt with as belonging to customers.~~

~~(d) REGULATORY INFORMATION.—A person described under subsection (a) shall submit to the applicable primary Federal payment stablecoin regulator information concerning the person's business operations and processes to protect customer assets, in such form and manner as the primary regulator shall determine.~~

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

~~SEC. 10. TREATMENT OF PAYMENT STABLECOIN ISSUERS IN INSOLVENCY PROCEEDINGS.~~

~~(a) IN GENERAL.—In any insolvency proceeding of a permitted payment stablecoin issuer under Federal or State law, including any proceeding under title 11, United States Code, and any insolvency proceeding administered by a State payment stablecoin regulator with respect to a permitted payment stablecoin issuer, the claim of a person holding payment stablecoins issued by the permitted payment stablecoin issuer shall have priority over the claims of the permitted payment stablecoin issuer and any~~

~~other creditor of the permitted payment stablecoin issuer, with respect to required payment stablecoin reserves, subject to section 507(e) of title 11, United States Code.~~

~~(b) DEFINITIONS.—Section 101 of title 11, United States Code, is amended by adding after paragraph (40B) the following:~~

~~“(40C) The terms ‘payment stablecoin’ and ‘permitted payment stablecoin issuer’ have the meanings given those terms in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.”.~~

~~(c) AUTOMATIC STAY.—Section 362 of title 11, United States Code is amended—~~

~~(1) in subsection (a)—~~

~~(A) in paragraph (7), by striking “and”;~~

~~(B) in paragraph (8), by striking the period and inserting “; and”; and~~

~~(C) by adding at the end the following:~~

~~“(9) the redemption of payment stablecoins issued by the debtor, from payment stablecoin reserves required to be maintained under section 4 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.”; and~~

~~(2) in subsection (d)—~~

~~(A) in paragraph (3)(B)(ii), by striking "or" at the end;~~

~~(B) in paragraph (4)(B), by striking the period at the end and inserting "; or"; and~~

~~(C) by inserting after paragraph (4) the following:~~

~~"(5) with respect to the redemption of payment stablecoins held by a person, if the court finds, subject to the motion and attestation of the debtor on the petition date, there are payment stablecoin reserves available for distribution on a ratable basis to similarly situated payment stablecoin holders, provided that the court shall use best efforts to enter a final order to begin distributions under this paragraph not later than 14 days after the date of the required hearing.".~~

~~(d) PRIORITY IN BANKRUPTCY PROCEEDINGS.—Section 507 of title 11, United States Code, is amended—~~

~~(1) in subsection (a), by striking "The following" and inserting "Subject to subsection (e), the following"; and~~

~~(2) by adding at the end the following:~~

~~"(e) Notwithstanding subsection (a), if a payment stablecoin holder is not able to redeem all outstanding payment stablecoin claims from required payment stablecoin~~

~~reserves maintained by the debtor, any remaining claim of a person holding a payment stablecoin issued by the debtor shall have first priority over any other claim, including over any expenses and claims that have priority under that subsection, to the extent compliance with section 4 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 would have required additional reserves to be maintained by the debtor for payment stablecoin holders.''.~~

~~(e) PAYMENT STABLECOIN RESERVES.—Section 541(b) of title 11, United States Code, is amended—~~

~~(1) in paragraph (9), in the flush text following subparagraph (B), by striking "or" at the end;~~

~~(2) in paragraph (10)(C), by striking the period and inserting "; or"; and~~

~~(3) by inserting after paragraph (10) the following:~~

~~"(11) required payment stablecoin reserves under section 4 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.''.~~

~~(f) INTERVENTION.—Section 1109 of title 11, United States Code, is amended by adding at the end the following:~~

~~"(c) The Comptroller of the Currency or State payment stablecoin regulator (as defined in section 2 of the~~

~~Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025) shall raise and shall appear and be heard on any issue, including the protection of customers, in a case under this chapter in which the debtor is a permitted payment stablecoin issuer.".~~

~~(g) APPLICATION OF EXISTING INSOLVENCY LAW.—In accordance with otherwise applicable law, an insolvency proceeding with respect to a permitted payment stablecoin issuer shall occur as follows:~~

~~(1) A depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) shall be resolved by the Federal Deposit Insurance Corporation, National Credit Union Administration, or State payment stablecoin regulator, as applicable.~~

~~(2) A subsidiary of a depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or a nonbank entity may be considered a debtor under title 11, United States Code.~~

~~SEC. 11. INTEROPERABILITY STANDARDS.~~

~~The primary Federal payment stablecoin regulators, in consultation with the National Institute of Standards and Technology, other relevant standard setting organizations, and State bank and credit union regulators, shall~~

~~assess and, if necessary, may, pursuant to section 553 of title 5 and in a manner consistent with the National Technology Transfer and Advancement Act of 1995 (Public Law 104–113), prescribe standards for permitted payment stablecoin issuers to promote compatibility and interoperability with—~~

~~(1) other permitted payment stablecoin issuers; and~~

~~(2) the broader digital finance ecosystem, including accepted communications protocols and blockchains, permissioned or public.~~

~~SEC. 12. STUDY ON NON-PAYMENT STABLECOINS.~~

~~(a) STUDY BY TREASURY.—~~

~~(1) STUDY.—The Secretary of the Treasury, in consultation with the Board, the Comptroller, the Corporation, the Securities and Exchange Commission, and the Commodity Futures Trading Commission shall carry out a study of non-payment stablecoins, including endogenously collateralized payment stablecoins.~~

~~(2) REPORT.—Not later than 365 days after the date of the enactment of this Act, the Secretary shall provide to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Sen-~~

~~ate a report that contains all findings made in carrying out the study under paragraph (1), including an analysis of—~~

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

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

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

~~(D) nature of reserve compositions;~~

~~(E) types of algorithms being employed;~~

~~(F) governance structure, including aspects of decentralization;~~

~~(G) nature of public promotion and advertising; and~~

~~(H) clarity and availability of consumer notices disclosures.~~

~~(b) ENDOGENOUSLY COLLATERALIZED PAYMENT STABLECOIN DEFINED.—In this section, the term "endogenously collateralized payment stablecoin" means any digital asset—~~

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

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

~~**SEC. 13. REPORTS.**~~

~~(a) ANNUAL REPORTING REQUIREMENT.—Beginning on the date that is 1 year after the date of enactment of this Act, and annually thereafter, the primary Federal payment stablecoin regulators shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Financial Services of the House of Representatives, and the Director of the Office of Financial Research a report on the status of the payment stablecoin industry, including—~~

~~(1) an overview of trends in payment stablecoin activities;~~

~~(2) a summary of the number of applications for permitted payment stablecoin issuer under section 5, including aggregate approvals and rejections of applications; and~~

~~(3) a description of the potential financial stability risks posed to the safety and soundness of the broader financial system by payment stablecoin activities.~~

~~(b) FSOC REPORT.—The Financial Stability Oversight Council shall incorporate the findings in the report~~

~~under subsection (a) into the annual report of the Council required under section 112(a)(2)(N) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5322).~~

~~SEC. 14. AUTHORITY OF BANKING INSTITUTIONS.~~

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

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

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

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

~~(b) REGULATORY REVIEW.—The primary Federal payment stablecoin regulators shall review all existing guidance and regulations, and if necessary, amend or promulgate new regulations and guidance, to clarify that regulated entities can engage in the payment stablecoin activities contemplated in, and in accordance with, this Act.~~

~~(c) TREATMENT OF CUSTODY ACTIVITIES.—The appropriate Federal banking agency (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)), the National Credit Union Administration (in the case of a credit union), and the Securities and Exchange Commission may not require a depository institution, national bank, Federal credit union, State credit union, or trust company, or any institution-affiliated party thereof—~~

~~(1) to include assets held in custody that are not owned by the entity as a liability on the financial statement or balance sheet of the entity, including payment stablecoin custody or safekeeping activities;~~

~~(2) to hold regulatory capital against assets, including reserves backing such assets described in section 4(a)(1)(A), in custody or safekeeping, except as necessary to mitigate against operational risks inherent with the custody or safekeeping services, as determined by—~~

~~(A) the appropriate Federal banking agency;~~

~~(B) the National Credit Union Administration (in the case of a credit union);~~

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

~~(D) a State credit union supervisor (as defined under section 6003 of the Anti-Money Laundering Act of 2020);~~

~~(3) to recognize a liability for any obligations related to activities or services performed for digital assets that the entity does not own in any amount greater than the expense recognized in the income statement or the consideration received as a result of the corresponding obligation.~~

~~(d) DEFINITIONS.—In this section:~~

~~(1) DEPOSITORY INSTITUTION.—The term "depository institution" has the meaning given that term under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).~~

~~(2) CREDIT UNION TERMS.—The terms "Federal credit union" and "State credit union" have the meaning given those terms, respectively, under section 101 of the Federal Credit Union Act.~~

~~**SEC. 15. AMENDMENTS TO CLARIFY THAT PAYMENT STABLECOINS ARE NOT SECURITIES OR COMMODITIES AND PERMITTED PAYMENT STABLECOIN ISSUERS ARE NOT INVESTMENT COMPANIES.**~~

~~(a) INVESTMENT ADVISERS ACT OF 1940.—Section 202(a)(18) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(18)) is amended by adding at the end the following: "The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.".~~

~~(b) INVESTMENT COMPANY ACT OF 1940.—The Investment Company Act of 1940 is amended—~~

~~(1) in section 2(a)(36) (15 U.S.C. 80a–2(a)(36))(15 U.S.C. 80a–2(a)(36)), by adding at the end the following: "The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025."; and~~

~~(2) in section 3(c)(3) (15 U.S.C. 80a–3(c)(3)), by inserting "any permitted payment stablecoin issuer, as such term is defined in section 2 of the~~

~~Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025;" after "therefor;".~~

~~(c) SECURITIES ACT OF 1933.—Section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is amended by adding at the end the following: "The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.".~~

~~(d) SECURITIES EXCHANGE ACT OF 1934.—Section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(10)) is amended by adding at the end the following: "The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.".~~

~~(e) SECURITIES INVESTOR PROTECTION ACT OF 1970.—Section 16(14) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll(14)) is amended by adding at the end the following: "The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.".~~

~~(f) COMMODITY EXCHANGE ACT.—Section 1a of the Commodity Exchange Act (7 U.S.C. 1a) is amended by adding at the end the following: "The term 'commodity' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. payment stablecoins Act of 2025."~~

~~**SEC. 16. RECIPROCITY FOR PAYMENT STABLECOINS ISSUED IN OVERSEAS JURISDICTIONS.**~~

~~The Secretary of the Treasury shall create and implement reciprocal arrangements or other bilateral agreements between the United States and jurisdictions with substantially similar payment stablecoin regulatory regimes to the requirements under this Act, including reserve requirements, supervision, anti-money laundering and counter-terrorism features, sanctions compliance standards, liquidity requirements, and risk management standards, to facilitate international transactions and interoperability with United States dollar-denominated payment stablecoins issued overseas. The Secretary of the Treasury shall aim to complete such arrangements not later than the date that is 2 years after the date of enactment of this Act.~~

~~**SEC. 17. EFFECTIVE DATE.**~~

~~(a) IN GENERAL.—This Act, and the amendments made by this Act, shall take effect on the earlier of—~~

~~(1) 18 months after the date of enactment of this Act; or~~

~~(2) the date that is 120 days after the date on which the primary Federal payment stablecoin regulators issue any final regulations implementing this Act.~~

~~(b) NOTICE TO CONGRESS.—The primary Federal payment stablecoin regulators shall notify Congress upon beginning to process applications under this Act.~~

~~(c) SAFE HARBOR FOR PENDING APPLICATIONS.—The primary Federal payment stablecoin regulators may waive the application of the requirements of this Act for a period not to exceed 12 months beginning on the effective date described under subsection (a), with respect to—~~

~~(1) a subsidiary of an insured depository institution, if the insured depository institution has an application pending for the subsidiary to become a permitted payment stablecoin issuer on that effective date; or~~

~~(2) a nonbank entity with an application pending to become a Comptroller-regulated entity on that effective date.~~

~~**SEC. 18. RULEMAKING.**~~

~~(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, each primary Federal payment stablecoin regulator, the Secretary of the Treasury, and each State payment stablecoin regulator shall implement this Act through appropriate notice and comment rulemaking, including promulgating regulations as described in this Act as necessary.~~

~~(b) COORDINATION.—Federal payment stablecoin regulators and State payment stablecoin regulators should coordinate on the issuance of any regulations to implement this Act.~~

~~(c) REPORT REQUIRED.—Not later than 180 days after the date of enactment of this Act, each Federal banking agency shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that confirms and describes the rules promulgated to implement this Act.~~

SECTION 1. SHORT TITLE.

This Act may be cited as the "Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025" or the "GENIUS Act of 2025".

SEC. 2. DEFINITIONS.

In this Act:

(1) BANK SECRECY ACT.—The term "Bank Secrecy Act" means—

(A) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

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

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

(2) BOARD.—The term "Board" means the Board of Governors of the Federal Reserve System.

(3) COMPTROLLER.—The term "Comptroller" means the Office of the Comptroller of the Currency.

(4) COMPTROLLER-REGULATED ENTITY.—The term "Comptroller-regulated entity" means—

(A) any Federal qualified nonbank payment stablecoin issuer that is subject to regulation and supervision exclusively by the Comptroller, pursuant to section 4(a)(7); and

(B) any entity chartered by the Comptroller.

(5) CORPORATION.—The term "Corporation" means the Federal Deposit Insurance Corporation.

(6) DIGITAL ASSET.—The term "digital asset" means any digital representation of value which is re-

corded on a cryptographically-secured distributed ledger.

(7) DISTRIBUTED LEDGER.—The term "distributed ledger" means technology in which data is shared across a network that creates a public digital ledger of verified transactions or information among network participants and cryptography is used to link the data to maintain the integrity of the public ledger and execute other functions.

(8) FEDERAL QUALIFIED NONBANK PAYMENT STABLECOIN ISSUER.—The term "Federal qualified nonbank payment stablecoin issuer" means a nonbank entity, other than a State qualified payment stablecoin issuer, approved by the Comptroller, pursuant to section 5, to issue payment stablecoins.

(9) INSTITUTION-AFFILIATED PARTY.—With respect to a permitted payment stablecoin issuer, the term "institution-affiliated party" means any director, officer, employee, or controlling stockholder of the permitted payment stablecoin issuer.

(10) INSURED DEPOSITORY INSTITUTION.—The term "insured depository institution" means—

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

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

(11) MONETARY VALUE.—The term "monetary value" means a national currency or deposit (as defined in section 3 of the Federal Deposit Insurance Act) denominated in a national currency.

(12) MONEY.—The term "money" means any financial instrument that is—

(A) legal tender;

(B) required to be received by a taxing authority in satisfaction of tax obligations; or

(C) widely accepted in an economy for the payment of goods or services.

(13) NATIONAL CURRENCY.—The term "national currency" means each of the following:

(A) A Federal Reserve note (as the term is used in the first undesignated paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 411)).

(B) Money standing to the credit of an account with a Federal Reserve Bank.

(C) Money issued by a foreign central bank.

(D) Money issued by an intergovernmental organization pursuant to an agreement by 1 or more governments.

(14) NONBANK ENTITY.—The term "nonbank entity" means a person that is not a depository institution or subsidiary of a depository institution.

(15) PAYMENT STABLECOIN.—The term "payment stablecoin"—

(A) means a digital asset—

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

(ii) the issuer of which—

(I) is obligated to convert, redeem, or repurchase for a fixed amount of monetary value, not including a digital asset denominated in a fixed amount of monetary value;

(II) represents that such issuer will maintain or creates the reasonable expectation that it will maintain a stable value relative to the value of a fixed amount of monetary value; or

(III) has complied with the authorization requirements of this Act; and

(B) that—

(i) is not a national currency;

(ii) is not a deposit (as defined in section 3 of the Federal Deposit Insurance Act), including a deposit recorded using distributed ledger technology;

(iii) does not offer a payment of yield or interest; and

(iv) is not a security, as defined in section 2 of the Securities Act of 1933 (15 U.S.C. 77b), section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c), or section 2 of the Investment Company Act of 1940 (15 U.S.C. 80a–2), other than a bond, note, evidence of indebtedness, or investment contract satisfying the conditions described in subparagraph (A).

(16) PERMITTED PAYMENT STABLECOIN ISSUER.—The term "permitted payment stablecoin issuer" means a person incorporated in the United States that is—

(A) a subsidiary of an insured depository institution that has been approved to issue payment stablecoins under section 5;

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

(C) a State qualified payment stablecoin issuer.

(17) PERSON.—The term "person" means an individual, partnership, company, corporation, association, trust, estate, cooperative organization, or other business entity, incorporated or unincorporated.

(18) PRIMARY FEDERAL PAYMENT STABLECOIN REGULATOR.—The term "primary Federal payment stablecoin regulator" means—

(A) with respect to a subsidiary of an insured depository institution (other than an insured credit union), the appropriate Federal banking agency (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) of such insured depository institution;

(B) with respect to an insured credit union or a subsidiary of an insured credit union, the National Credit Union Administration;

(C) with respect to a State chartered depository institution not specified under subparagraph (A), the Corporation, the Comptroller, or the Board; and

(D) with respect to a Federal qualified nonbank payment stablecoin issuer or any entity chartered by the Comptroller, the Comptroller.

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

(20) STATE.—The term "State" means each of the several States of the United States, the District of Columbia, and each territory of the United States.

(21) STATE QUALIFIED PAYMENT STABLECOIN ISSUER.—The term "State qualified payment stablecoin issuer" means an entity that is legally established under the laws of a State and approved to issue payment stablecoins by a State payment stablecoin regulator.

(22) STATE PAYMENT STABLECOIN REGULATOR.—The term "State payment stablecoin regulator" means a State agency that has primary regulatory and supervisory authority in such State over entities that issue payment stablecoins.

(23) STATE CHARTERED DEPOSITORY INSTITUTION.—The term "State chartered depository institution" has the meaning given the term "State deposi-

tory institution" in section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)).

(24) SUBSIDIARY OF AN INSURED CREDIT UNION.—With respect to an insured credit union, the term "subsidiary of an insured credit union" means—

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

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

SEC. 3. ISSUANCE AND TREATMENT OF PAYMENT STABLECOINS.

(a) ISSUE.—It shall be unlawful for any person other than a permitted payment stablecoin issuer to issue a payment stablecoin in the United States.

(b) TREATMENT.—A payment stablecoin that is not issued by a permitted payment stablecoin issuer shall not be—

(1) treated as cash or a cash equivalent for accounting purposes;

(2) eligible as cash or a cash equivalent margin and collateral for futures commission merchants, derivative clearing organizations, broker-dealers, registered clearing agencies, and swap dealers; or

(3) acceptable as a settlement asset to facilitate wholesale payments between banking organizations or by a payment infrastructure to facilitate exchange and settlement among banking organizations.

(c) PENALTY FOR VIOLATION.—

(1) IN GENERAL.—Whoever knowingly participates in a violation of subsection (a) shall be fined not more than $1,000,000 for each such violation, imprisoned for not more than 5 years, or both.

(2) REFERRAL TO ATTORNEY GENERAL.—If a primary Federal payment stablecoin regulator has reason to believe that any person has knowingly violated subsection (a), the primary Federal payment stablecoin regulator shall refer the matter to the Attorney General.

SEC. 4. REQUIREMENTS FOR ISSUING PAYMENT STABLECOINS.

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

(1) In general.—Permitted payment stablecoin issuers shall—

(A) maintain reserves backing the outstanding payment stablecoins of the permitted payment stablecoin issuer on an at least 1 to 1 basis, with reserves comprising—

(i) United States coins and currency (including Federal reserve notes) or money standing to the credit of an account with a Federal Reserve Bank;

(ii) funds held as demand deposits (or other deposits that may be withdrawn upon request at any time) or insured shares at an insured depository institution (including any foreign branches and agencies of an insured depository institution), subject to limitations established by the Corporation and the National Credit Union Administration, as applicable, to address safety and soundness risks of such insured depository institution;

(iii) Treasury bills, notes, or bonds—

(I) with a remaining maturity of 93 days or less; or

(II) issued with a maturity of 93 days or less;

(iv) repurchase agreements with the permitted payment stablecoin issuer acting as a seller of securities and with an overnight maturity that are backed by Treasury bills with a maturity of 93 days or less;

(v) reverse repurchase agreements with the permitted payment stablecoin issuer acting as a purchaser of securities and with an overnight maturity that are collateralized by Treasury notes, bills, or bonds on an overnight basis, subject to overcollateralization in line with standard market terms, that are—

(I) tri-party;

(II) centrally cleared through a clearing house registered with the Securities and Exchange Commission; or

(III) bilateral with a counterparty that the issuer has determined to be adequately creditworthy even in the event of severe market stress;

(vi) securities issued by an investment company registered under section 8(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–8(a)) that operates as a money market fund in compliance with rule 2a–7 issued under that Act (or any successor rule) and that are invested solely in underlying assets described in clauses (i) through (v) of subparagraph (A);

(vii) any other similarly liquid federal government issued asset approved by the primary Federal payment stablecoin regulator, in consultation with the State payment stablecoin regulator, if applicable, of the permitted payment stablecoin issuer; or

(viii) any reserve described in clauses (i) through (vii) in tokenized form, provided that such reserves comply with all applicable laws and regulations;

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

(C) establish procedures for timely redemption of outstanding payment stablecoins; and

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

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

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

(2) PROHIBITION ON REHYPOTHECATION.—Reserves required under paragraph (1)(A) may not be pledged, rehypothecated, or reused by the permitted payment stablecoin issuer, either directly or indirectly, except for the purpose of—

(A) satisfying margin obligations in connection with investments in permitted reserves under clauses (iv) and (v) of paragraph (1)(A);

(B) satisfying obligations associated with the use or receipt of provision of standard custodial services; or

(C) creating liquidity to meet reasonable expectations of requests to redeem payment stablecoins, such that reserves in the form of Treasury bills may be sold as purchased securities for repurchase agreements with a maturity of 93 days or less, provided that either—

(i) the repurchase agreements are cleared by a clearing agency registered with the Securities and Exchange Commission; or

(ii) the permitted payment stablecoin issuer receives the prior approval of its primary Federal payment stablecoin regulator or State payment stablecoin regulator, as applicable.

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

(A) IN GENERAL.—A permitted payment stablecoin issuer shall, each month, have the information disclosed in the previous month-end report required under paragraph (1)(D) examined by a registered public accounting firm.

(B) CERTIFICATION.—Each month, the Chief Executive Officer and Chief Financial Officer of a permitted payment stablecoin issuer shall submit a certification as to the accuracy of the monthly report to, as applicable—

(i) the primary Federal payment stablecoin regulator of the permitted payment stablecoin issuer; or

(ii) the State payment stablecoin regulator of the permitted payment stablecoin issuer.

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

(4) CAPITAL, LIQUIDITY, AND RISK MANAGEMENT REQUIREMENTS.—

(A) IN GENERAL.—The primary Federal payment stablecoin regulators shall, jointly, or in the case of a State qualified payment stablecoin issuer, the State payment stablecoin regulator shall, consistent with section 18, issue—

(i) capital requirements applicable to permitted payment stablecoin issuers that—

(I) are tailored to the business model and risk profile of permitted payment stablecoin issuers;

(II) do not exceed requirements which are sufficient to ensure the ongo-

ing operations of permitted payment stablecoin issuers; and

(III) in the case of the primary Federal payment stablecoin regulators, if the primary Federal payment stablecoin regulators determine that a capital buffer is necessary to ensure the ongoing operations of permitted payment stablecoin issuers, may include capital buffers that are tailored to the business model and risk profile of permitted payment stablecoin issuers;

(ii) regulations implementing the liquidity standard under clause (i);

(iii) reserve asset diversification and interest rate risk management standards applicable to permitted payment stablecoin issuers that—

(I) are tailored to the business model and risk profile of permitted payment stablecoin issuers; and

(II) do not exceed standards which are sufficient to ensure the ongoing operations of permitted payment stablecoin issuers; and

(iv) appropriate operational, compliance, and information technology risk management standards, including Bank Secrecy Act and sanctions compliance, that—

(I) are tailored to the business model and risk profile of permitted payment stablecoin issuers; and

(II) are consistent with applicable law.

(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed to limit—

(i) the authority of the primary Federal regulators, in prescribing standards under this paragraph, to tailor or differentiate among issuers on an individual basis or by category, taking into consideration the capital structure, business model risk profile, complexity, financial activities (including financial activities of subsidiaries), size, and any other risk related factors of permitted payment stablecoin issuers that the primary Federal regulator determines appropriate, provided that such tailoring or differentiation occurs without respect to whether a permitted payment stablecoin

issuer is regulated by a State payment stablecoin regulator; or

(ii) the supervisory, regulatory, or enforcement authority of a Federal banking agency to further the safe and sound operation of an institution for which the Federal banking agency is the appropriate Federal banking agency (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)).

(C) APPLICABILITY OF EXISTING CAPITAL STANDARDS.—

(i) DEFINITIONS.—In this subparagraph—

(I) "appropriate Federal banking agency" has the meaning given that term in section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. 1813(q); and

(II) "depository institution holding company" has the meaning given that term under section 171(a)(3) of the Financial Stability Act of 2010 (12 U.S.C. 5371(a)(3)).

(ii) APPLICABILITY OF FINANCIAL STABILITY ACT.—With respect to the promulgation of rules under subparagraph (A) and clauses (iii) and (iv) of this subparagraph, section 171 of the Financial Stability Act of 2010 (12 U.S.C. 5371) shall not apply.

(iii) RULES RELATING TO LEVERAGE CAPITAL REQUIREMENTS OR RISK-BASED CAPITAL REQUIREMENTS.—Any rule issued by an appropriate Federal banking agency that imposes, on a consolidated basis, a leverage capital requirement or risk-based capital requirement with respect to an insured depository institution or depository institution holding company shall provide that, for purposes of such leverage capital requirement or risk-based capital requirement, any insured depository institution or depository institution holding company that includes, on a consolidated basis, a permitted payment stablecoin issuer shall not be required to hold, with respect to such permitted payment stablecoin issuer and its assets and operations, any amount of regulatory capital in excess of the capital that

such permitted payment stablecoin issuer must maintain under the capital requirements promulgated pursuant to paragraph (1)(A)(i).

(iv) MODIFICATIONS.—Not later than the earlier of the rulemaking deadline under section 18 or the date the Federal payment stablecoin regulators issue regulations to carry out this section, each appropriate Federal banking agency shall amend or otherwise modify any regulation of the Federal banking agency described in clause (iii) so that such regulation, as amended or otherwise modified, complies with clause (iii) of this subparagraph.

(5) TREATMENT UNDER THE BANK SECRECY ACT AND SANCTIONS LAWS.—

(A) IN GENERAL.—A permitted payment stablecoin issuer shall be treated as a financial institution for purposes of the Bank Secrecy Act, and as such, shall be subject to all Federal laws applicable to a financial institution located in the United States relating to economic sanctions, prevention of money laundering, customer identification, and due diligence, including—

(i) maintenance of an effective anti-money laundering and economic sanctions compliance program, which shall include appropriate risk assessments, verification of sanctions lists and designation of an officer to supervise the programs;

(ii) retention of appropriate records of payment stablecoin transactions;

(iii) monitoring and reporting suspicious activity;

(iv) policies and procedures to block, freeze, and reject specific or impermissible transactions that violate Federal or State laws, rules, or regulations; and

(v) maintenance of an effective customer identification program, including identification and verification of account holders with the permitted payment stablecoin issuer, high value transactions and appropriate enhanced due diligence.

(B) RULEMAKING.—The Financial Crimes Enforcement Network shall adopt rules, tailored to the size and complexity of the permitted payment stablecoin issuer, to implement subparagraph (A).

(6) COORDINATION WITH PERMITTED PAYMENT STABLECOIN ISSUERS WITH RESPECT TO BLOCKING OF PROPERTY AND TECHNOLOGICAL CAPABILITIES TO COMPLY WITH LAWFUL ORDERS.—

(A) IN GENERAL.—The Secretary of the Treasury—

(i) shall, to the best of the Secretary's ability, coordinate with a permitted payment stablecoin issuer before taking any action to block and prohibit transactions in property and interests in property of a foreign person to ensure that the permitted payment stablecoin issuer is able to effectively block a digital asset of the foreign person upon issue of the digital asset; and

(ii) is not required to notify any permitted payment stablecoin issuer of any intended action described in clause (i) prior to taking such action.

(B) COMPLIANCE WITH LAWFUL ORDERS.—

(i) IN GENERAL.—

(I) PERMITTED PAYMENT STABLECOIN ISSUERS.—A permitted payment stablecoin issuer may issue payment stablecoins only if the issuer

has the technological capability to comply and will comply with the terms of any lawful order.

(II) FOREIGN PAYMENT STABLECOINS.—A foreign payment stablecoin that is not licensed under this Act may not be publicly offered, sold, or otherwise made available for trading in the United States unless the payment stablecoin issuer has the technological capability to comply and complies with the terms of any lawful order.

(ii) LAWFUL ORDER DEFINED.—In this paragraph, the term "lawful order" means any final and valid writ, process, order, rule, decree, command, or other requirement issued or promulgated under Federal law, issued by a court of competent jurisdiction or by an authorized Federal agency pursuant to its statutory authority, that—

(I) requires the permitted payment stablecoin issuer to seize, freeze, burn, or prevent the transfer of pay-

ment stablecoins issued by the permitted payment stablecoin issuer;

(II) specifies the digital assets or accounts subject to blocking with reasonable particularity; and

(III) is subject to judicial or administrative review or appeal as provided by law.

(C) REPORT REQUIRED.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report on the coordination with permitted payment stablecoin issuers required under subparagraph (A).

(7) LIMITATION ON PAYMENT STABLECOIN ACTIVITIES.—

(A) IN GENERAL.—A permitted payment stablecoin issuer may only—

(i) issue payment stablecoins;

(ii) redeem payment stablecoins;

(iii) manage related reserves, including purchasing, selling, and holding reserve as-

sets or providing custodial services for reserve assets, consistent with State and Federal law;

(iv) provide custodial or safekeeping services for payment stablecoins, required reserves, or private keys of payment stablecoins, consistent with this Act; and

(v) undertake other activities that directly support any of the activities described in clauses (i) through (iv).

(B) RULE OF CONSTRUCTION.—Nothing in subparagraph (A) shall prevent a permitted payment stablecoin issuer from engaging in non-payment stablecoin activities that are allowed by the primary Federal payment stablecoin regulator or the State payment stablecoin regulator, as applicable.

(8) PROHIBITION ON TYING.—

(A) IN GENERAL.—A permitted payment stablecoin issuer may not provide services to a customer on the condition that the customer obtain an additional paid product or service from the permitted payment stablecoin issuer, or any of its subsidiaries, or agree to not obtain an additional product or service from a competitor.

(B) REGULATIONS.—The Board may issue such regulations as are necessary to carry out this subparagraph, and, in consultation with the Comptroller and the Corporation, may by regulation or order, permit such exceptions to clause (i) as the Board considers will not be contrary to the purpose of this Act.

(9) PROHIBITION ON THE USE OF DECEPTIVE NAMES.—A permitted payment stablecoin issuer may not market a payment stablecoin in such a way that a reasonable person would perceive the payment stablecoin to be—

(A) legal tender, as described in section 5103 of title 31, United States Code;

(B) issued by the United States; or

(C) guaranteed or approved by the Government of the United States.

(10) REGULATION BY THE COMPTROLLER.—

(A) IN GENERAL.—A Federal qualified nonbank payment stablecoin issuer shall be regulated and supervised exclusively by the Comptroller, which shall have authority, in coordination with other relevant primary Federal payment stablecoin regulators and State payment stablecoin regulators, to issue such regulations

and orders as necessary to ensure financial stability and implement this subsection.

(B) CONFORMING AMENDMENT.—Section 324(b) of the Revised Statutes (12 U.S.C. 1(b)) is amended by adding at the end the following:

"(3) REGULATION OF FEDERAL QUALIFIED NONBANK PAYMENT STABLECOIN ISSUERS.—The Comptroller of the Currency shall, in coordination with other relevant regulators and consistent with section 18 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025, issue such regulations and orders as necessary to ensure financial stability and implement section 4(a) of that Act.".

(11) AUDITS AND REPORTS.—

(A) ANNUAL FINANCIAL STATEMENT.—

(i) IN GENERAL.—A permitted payment stablecoin issuer with more than $50,000,000,000 in consolidated total outstanding issuance, that is not subject to the reporting requirements under sections 13(a) or 15(d) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m, 78o(d)), shall prepare, in accordance with generally accepted accounting principles, an annual financial

statement, which shall include the disclosure of any related party transactions, as defined by such generally accepted accounting principles.

(ii) AUDITOR.—A registered public accounting firm shall perform an audit of the annual financial statements described in clause (i).

(iii) STANDARDS.—An audit described in clause (ii) shall be conducted in accordance with all applicable auditing standards established by the Public Company Accounting Oversight Board, including those relating to auditor independence, internal controls, and related party transactions.

(iv) RULE OF CONSTRUCTION.—Nothing in this subparagraph shall be construed to limit, alter, or expand the jurisdiction of the Public Company Accounting Oversight Board over permitted payment stablecoin issuers or registered public accounting firms.

(B) PUBLIC DISCLOSURE AND SUBMISSION TO FEDERAL REGULATORS.—Each permitted payment stablecoin issuer required to prepare an

audited annual financial statement under subparagraph (A) shall:

(i) make such audited financial statements publicly available on the website of the permitted payment stablecoin issuer; and

(ii) submit such audited financial statements annually to their primary Federal payment stablecoin regulator.

(C) CONSULTATION.—The primary Federal payment stablecoin regulators may consult with the Public Company Accounting Oversight Board to determine best practices for determining audit oversight and to detect fraud, material misstatements, and other financial misrepresentations that could mislead permitted payment stablecoin holders.

(12) ELIGIBILITY.—The requirement to maintain reserves under paragraph (1)(A) may not be construed as expanding or contracting eligibility to qualify as a depository institution under section 19(b)(1)(A) of the Federal Reserve Act (12 U.S.C. 461(b)(1)(A)).

(b) STATE-LEVEL REGULATORY REGIMES.—

(1) OPTION FOR STATE-LEVEL REGULATORY REGIME.—Notwithstanding the Federal regulatory framework established under subsection (a), a State qualified payment stablecoin issuer with a consolidated total outstanding issuance of not more than $10,000,000,000 may opt for regulation under a State-level regulatory regime, provided that the State-level regulatory regime is substantially similar to the Federal regulatory framework under that subsection.

(2) PRINCIPLES.—The Secretary of the Treasury shall, through notice and comment rulemaking, establish broad based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework under subsection (a).

(3) REVIEW.—State payment stablecoin regulators shall review State-level regulatory regimes according to the principles established by the Secretary of the Treasury under paragraph (2) and for the purposes of establishing any necessary cooperative agreements to implement section 7(f).

(4) CERTIFICATION.—

(A) INITIAL CERTIFICATION.—Subject to subparagraph (B), not later than 1 year after the effective date of this Act, a State payment

stablecoin regulator shall submit to the Secretary of the Treasury an initial certification that the State-level regulatory regime meets the criteria for substantial similarity established pursuant to paragraph (2).

(B) FORM OF CERTIFICATION.—The initial certification required under subparagraph (A) shall contain, in a form prescribed by the Secretary of the Treasury, an attestation that the State-level regulatory regime meets the criteria for substantial similarity established pursuant to paragraph (2).

(C) ANNUAL RECERTIFICATION.—Not later than a date to be determined by the Secretary each year, a State payment stablecoin regulator shall submit to the Secretary of the Treasury an additional certification that confirms the accuracy of initial certification submitted under subparagraph (A).

(5) NOT SUBSTANTIALLY SIMILAR.—

(A) IN GENERAL.—If a State payment stablecoin regulator determines that the criteria established under paragraph (2) are not met and the State payment stablecoin regulator does not submit a certification under paragraph (4), then

a permitted payment stablecoin issuer operating under this subsection shall be subject to the Federal regulatory framework as described in subsection (c), notwithstanding the total issuance threshold therein.

(B) TREASURY REVIEW.—Not later than 30 days after the date of receipt of a certification under paragraph (4), the Secretary may reject the certification if the Secretary determines that the State-level regulatory regime is not substantially similar to the Federal regulatory framework under subsection (a), and the permitted payment stablecoin issuer shall be subject to the Federal regulatory framework as described in subsection (c), notwithstanding the total issuance threshold therein.

(C) APPELLATE REVIEW.—A State payment stablecoin regulator may challenge the determination of the Secretary of the Treasury under this paragraph in the United States Court of Appeals for the District of Columbia Circuit.

(6) LIST.—The Secretary of the Treasury shall publish and maintain in the Federal Register and on the website of the Department of the Treasury a list

of States that have submitted initial certifications and recertifications under paragraph (4).

(c) TRANSITION TO FEDERAL OVERSIGHT.—

(1) DEPOSITORY INSTITUTION.—A State chartered depository institution that is a State qualified payment stablecoin issuer with a payment stablecoin with a consolidated total outstanding issuance of more than $10,000,000,000 shall—

(A) not later than 360 days after the payment stablecoin reaches such threshold, transition to the Federal regulatory framework of the primary Federal payment stablecoin regulator of the State chartered depository institution, which shall be administered by the State payment stablecoin regulator of the State chartered depository institution and the primary Federal payment stablecoin regulator acting jointly; or

(B) beginning on the date the payment stablecoin reaches such threshold, cease issuing new payment stablecoins until the payment stablecoin is under the $10,000,000,000 consolidated total outstanding issuance threshold.

(2) OTHER INSTITUTIONS.—A State qualified payment stablecoin issuer not described in paragraph (1) with a payment stablecoin with a consolidated

total outstanding issuance of more than $10,000,000,000 shall—

(A) not later than 360 days after the payment stablecoin reaches such threshold, transition to the Federal regulatory framework under subsection (a) administered by the State payment stablecoin regulator of the State qualified payment stablecoin issuer; or

(B) beginning on the date the payment stablecoin reaches such threshold, cease issuing new payment stablecoins until the payment stablecoin is under the $10,000,000,000 consolidated total outstanding issuance threshold.

(3) WAIVER.—

(A) IN GENERAL.—Notwithstanding paragraphs (1) and (2), the applicable primary Federal payment stablecoin regulator may permit a State qualified payment stablecoin issuer with a payment stablecoin with a consolidated total outstanding issuance of more than $10,000,000,000 to remain solely supervised by a State payment stablecoin regulator.

(B) CRITERIA FOR WAIVER.—The primary Federal payment stablecoin regulator shall consider the following exclusive criteria in deter-

mining whether to issue a waiver under this paragraph:

(i) The capital maintained by the State qualified payment stablecoin issuer.

(ii) The past operations and examination history of the State qualified payment stablecoin issuer.

(iii) The experience of the State payment stablecoin regulator in supervising payment stablecoin and digital asset activities.

(iv) The laws and rules applicable to, and the supervisory framework of, the State qualified payment stablecoin issuer with respect to payment stablecoins and digital assets.

(C) RULE OF CONSTRUCTION.—A State qualified payment stablecoin issuer subject to Federal oversight under paragraph (1) or (2) of this subsection that does not receive a waiver under this paragraph shall continue to be supervised by the State payment stablecoin regulator of the State qualified payment stablecoin issuer along jointly with the primary Federal payment stablecoin regulator. Nothing in this subsection

shall require the State qualified payment stablecoin issuer to convert to a Federal charter.

(d) MISREPRESENTATION OF INSURED STATUS; MARKETING.—

(1) IN GENERAL.—Payment stablecoins shall not be backed by the full faith and credit of the United States, guaranteed by the United States Government, subject to deposit insurance by the Federal Deposit Insurance Corporation, or subject to share insurance by the National Credit Union Administration.

(2) MISREPRESENTATION OF INSURED STATUS.—

(A) IN GENERAL.—It shall be unlawful to represent that payment stablecoins are backed by the full faith and credit of the United States, guaranteed by the United States Government, or subject to Federal deposit insurance or Federal share insurance.

(B) PENALTY.—A violation of subparagraph (A) shall be considered a violation of section 18(a)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1828(a)(4)) or section 709 of title 18, United States Code, as applicable.

(3) MARKETING.—It shall be unlawful to market a digital asset in the United States as a payment

stablecoin unless the digital asset is issued pursuant to this Act.

(e) OFFICERS OR DIRECTORS CONVICTED OF CERTAIN FELONIES.—

(1) IN GENERAL.—No individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud may serve as—

(A) an officer of a payment stablecoin issuer; or

(B) a director of a payment stablecoin issuer.

(2) PENALTY.—

(A) IN GENERAL.—Whoever knowingly participates in a violation of paragraph (1) or subsection (d)(3) shall be fined not more than $1,000,000 for each such violation, imprisoned for not more than 5 years; or both.

(B) REFERRAL TO ATTORNEY GENERAL.—If a Federal payment stablecoin regulator has reason to believe that any person has knowingly violated paragraph (1) or subsection (d)(3), the Federal payment stablecoin regulator shall refer the matter to the Attorney General.

(f) RULEMAKING.—

(1) IN GENERAL.—Consistent with section 18, the primary Federal payment stablecoin regulators and State payment stablecoin regulators shall issue such regulations as may be necessary to establish a payment stablecoin regulatory framework necessary to administer and carry out the requirements of this section, including to establish conditions, and to prevent evasions thereof.

(2) JOINT ISSUANCE OF REGULATION.—All regulations issued to carry out this section shall be issued jointly by the primary Federal payment stablecoin regulators, if not issued by a State payment stablecoin regulator.

SEC. 5. APPROVAL OF SUBSIDIARIES OF INSURED DEPOSITORY INSTITUTIONS AND FEDERAL QUALIFIED NONBANK PAYMENT STABLECOIN ISSUERS.

(a) APPLICATION.—

(1) IN GENERAL.—Each primary Federal payment stablecoin regulator shall receive, review, and consider for approval applications from any insured depository institution that seeks to issue payment stablecoins through a subsidiary and any nonbank entity that seeks to issue payment stablecoins as a Federal qualified nonbank payment stablecoin issuer.

Each primary Federal payment stablecoin regulator shall establish a process and framework for the licensing, regulation, examination, and supervision of such entities that prioritizes the safety and soundness of such entities.

(2) AUTHORITY TO ISSUE REGULATIONS AND PROCESS APPLICATIONS.—The primary Federal payment stablecoin regulators shall, before the date described in section 18—

(A) issue regulations consistent with that section to carry out this section; and

(B) pursuant to the regulations described in subparagraph (A), accept and process applications under this Act.

(3) MANDATORY APPROVAL PROCESS.—The primary Federal payment stablecoin regulator shall, upon receipt of a substantially complete application, evaluate and make a determination on each application based on the criteria established under this Act.

(b) EVALUATION OF APPLICATIONS.—A substantially complete application received under subsection (a) shall be evaluated by the primary Federal payment stablecoin regulator using the factors described in subsection (c).

(c) FACTORS TO BE CONSIDERED.—The factors described in this subsection are the following:

(1) The ability of the applicant (or, in the case of an applicant that is an insured depository institution, the subsidiary of the applicant), based on financial condition and resources, to meet the requirements set forth under section 4.

(2) Whether an individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud is serving as an officer or director of the applicant.

(3) Any other factors established by the primary Federal payment stablecoin regulator that are necessary to ensure the safety and soundness of the permitted payment stablecoin issuer.

(4) The competence, experience, and integrity of the officers, directors, and principal shareholders of the applicant, its subsidiaries, and parent company, including—

(A) the record of those officers, directors, and principal shareholders of compliance with laws and regulations; and

(B) the ability of those officers, directors, and principal shareholders to fulfill any commitments to, and any conditions imposed by, their primary Federal payment stablecoin regulator in

connection with the application at issue and any prior applications.

(d) TIMING FOR DECISION; GROUNDS FOR DENIAL.—

(1) TIMING FOR DECISIONS ON APPLICATIONS.—

(A) IN GENERAL.—Not later than 120 days after receiving a substantially complete application under subsection (a), a primary Federal payment stablecoin regulator shall render a decision on the application.

(B) SUBSTANTIALLY COMPLETE.—

(i) IN GENERAL.—For purposes of subparagraph (A), an application shall be considered substantially complete if the application contains sufficient information for the primary Federal payment stablecoin regulator to render a decision on whether the applicant satisfies the criteria under subsection (c).

(ii) NOTIFICATION.—Not later than 30 days after receiving an application under subsection (a), a primary Federal payment stablecoin regulator shall notify the applicant whether the primary Federal payment stablecoin regulator considers the application to be substantially complete and, if the

application is not substantially complete, the additional information the applicant must provide in order for the application to be considered substantially complete.

(iii) MATERIAL CHANGE IN CIRCUMSTANCES.—An application considered substantially complete under this subparagraph remains substantially complete unless there is a material change in circumstances that requires the primary Federal payment stablecoin regulator to treat the application as a new application.

(2) DENIAL OF APPLICATION.—

(A) GROUNDS FOR DENIAL.—

(i) IN GENERAL.—The primary Federal payment stablecoin regulator shall only deny a complete application received under subsection (a) if the regulator determines that the activities of the applicant would be unsafe or unsound based on the factors described in subsection (c).

(ii) ISSUANCE NOT GROUND FOR DENIAL.—The issuance of a payment stablecoin on an open, public, or decentral-

ized network shall not be a valid ground for denial of an application.

(B) EXPLANATION REQUIRED.—If the primary Federal payment stablecoin regulator denies a complete application received under subsection (a), not later than 30 days after the date of such denial, the regulator shall provide the applicant with written notice explaining the denial with specificity, including all findings made by the regulator with respect to all identified material shortcomings in the application, including actionable recommendations on how the applicant could address the identified material shortcomings.

(C) OPPORTUNITY FOR HEARING; FINAL DETERMINATION.—

(i) IN GENERAL.—Not later than 30 days after the date of receipt of any notice of the denial of an application under this section, the applicant may request, in writing, an opportunity for a written or oral hearing before the primary Federal payment stablecoin regulator to appeal the denial.

(ii) TIMING.—Upon receipt of a timely request, the primary Federal payment stablecoin regulator shall notice a time (not later than 30 days after the date of receipt of the request) and place at which the applicant may appear, personally or through counsel, to submit written materials or provide oral testimony and oral argument).

(iii) FINAL DETERMINATION.—Not later than 60 days after the date of a hearing under this subparagraph, the primary Federal payment stablecoin regulator shall notify the applicant of a final determination, which shall contain a statement of the basis for that determination, with specific findings.

(iv) NOTICE IF NO HEARING.—If an applicant does not make a timely request for a hearing under this subparagraph, the primary Federal payment stablecoin regulator shall notify the applicant, not later than 10 days after the date by which the applicant may request a hearing under this subparagraph, in writing, that the denial of the application is a final determination of

the primary Federal payment stablecoin regulator.

(3) FAILURE TO RENDER A DECISION.—If the primary Federal payment stablecoin regulator fails to render a decision on a complete application within the time period specified in paragraph (1), the application shall be deemed approved.

(4) RIGHT TO REAPPLY.—The denial of an application under this section shall not prohibit the applicant from filing a subsequent application.

(e) REPORT ON PENDING APPLICATIONS.—The primary Federal payment stablecoin regulators shall annually report to Congress on the applications under subsection (a) that have been pending for 180 days or more since the date the initial application was filed and for which the applicant has been informed that the application remains incomplete, including documentation on the status of such applications and why such applications have not yet been approved.

(f) RULEMAKING.—Consistent with section 18, the primary Federal payment stablecoin regulators shall issue rules necessary for the regulation of the issuance of payment stablecoins, but may not impose requirements in addition to the requirements specified under section 4.

SEC. 6. SUPERVISION AND ENFORCEMENT WITH RESPECT TO SUBSIDIARIES OF INSURED DEPOSITORY INSTITUTIONS AND COMPTROLLER-REGULATED ENTITIES.

(a) SUPERVISION.—

(1) IN GENERAL.—Each permitted payment stablecoin issuer that is not a State qualified payment stablecoin issuer with a payment stablecoin with a consolidated total outstanding issuance of less than $10,000,000,000 shall be subject to supervision by the appropriate primary Federal payment stablecoin regulator.

(2) SUBMISSION OF REPORTS.—Each permitted payment stablecoin issuer described in paragraph (1) shall, upon request, submit to its primary Federal payment stablecoin regulator a report on—

(A) the financial condition of the permitted payment stablecoin issuer;

(B) the systems of the permitted payment stablecoin issuer for monitoring and controlling financial and operating risks; and

(C) compliance by the permitted payment stablecoin issuer (and any subsidiary thereof) with this Act.

(3) EXAMINATIONS.—The primary Federal payment stablecoin regulator shall examine a permitted

payment stablecoin issuer described in paragraph (1) in order to assess—

(A) the nature of the operations and financial condition of the permitted payment stablecoin issuer;

(B) the financial, operational, technological, and other risks within the permitted payment stablecoin issuer that may pose a threat to—

(i) the safety and soundness of the permitted payment stablecoin issuer; or

(ii) the stability of the financial system of the United States; and

(C) the systems of the permitted payment stablecoin issuer for monitoring and controlling the risks described in subparagraph (B).

(4) REQUIREMENTS FOR EFFICIENCY.—

(A) USE OF EXISTING REPORTS.—In supervising and examining a permitted payment stablecoin issuer under this subsection, the primary Federal payment stablecoin regulator shall, to the fullest extent possible, use existing reports and other supervisory information.

(B) AVOIDANCE OF DUPLICATION.—A primary Federal payment stablecoin regulator shall, to the fullest extent possible, avoid duplication of

examination activities, reporting requirements, and requests for information in carrying out this subsection with respect to a permitted payment stablecoin issuer.

(C) CONSIDERATION OF BURDEN.—A primary Federal payment stablecoin regulator shall, with respect to any examination or request for the submission of a report under this subsection, only request examinations and reports at a cadence and in a format that is similar to those required for similarly situated entities regulated by the primary Federal payment stablecoin regulator.

(b) ENFORCEMENT.—

(1) SUSPENSION OR REVOCATION OF REGISTRATION.—The primary Federal payment stablecoin regulator of a permitted payment stablecoin issuer that is not a State qualified payment stablecoin issuer may prohibit the permitted payment stablecoin issuer from issuing payment stablecoins, if the primary Federal payment stablecoin regulator determines that such permitted payment stablecoin issuer, or an institution-affiliated party of the permitted payment stablecoin issuer—

(A) is recklessly violating or has recklessly violated this Act or any regulation or order issued under this Act; or

(B) is recklessly violating or has recklessly violated any condition imposed in writing by the primary Federal payment stablecoin regulator in connection with a written agreement entered into between the permitted payment stablecoin issuer and the primary Federal payment stablecoin regulator.

(2) CEASE-AND-DESIST PROCEEDINGS.—If the primary Federal payment stablecoin regulator of a permitted payment stablecoin issuer that is not a State qualified payment stablecoin issuer has reasonable cause to believe that the permitted payment stablecoin issuer or any institution-affiliated party of the permitted payment stablecoin issuer is violating, has violated, or is attempting to violate this Act, any regulation or order issued under this Act, or any written agreement entered into with the primary Federal payment stablecoin regulator or condition imposed in writing by the primary Federal payment stablecoin regulator in connection with any application or other request, the primary Federal payment stablecoin regulator may, by provisions that are man-

datory or otherwise, order the permitted payment stablecoin issuer or institution-affiliated party of the permitted payment stablecoin issuer to—

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

(B) take affirmative action to correct the conditions resulting from any such violation or practice.

(3) REMOVAL AND PROHIBITION AUTHORITY.—The primary Federal payment stablecoin regulator of a permitted payment stablecoin issuer that is not a State qualified payment stablecoin issuer may remove an institution-affiliated party of the permitted payment stablecoin issuer from their position or office or prohibit further participation in the affairs of the permitted payment stablecoin issuer or all such permitted payment stablecoin issuers by such institution-affiliated party, if the primary Federal payment stablecoin regulator determines that—

(A) the institution-affiliated party has knowingly committed a violation or attempted violation of this Act or any regulation or order issued under this Act; or

(B) the institution-affiliated party has knowingly committed a violation of any provi-

sion of subchapter II of chapter 53 of title 31, United States Code.

(4) PROCEDURES.—

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

(B) JUDICIAL REVIEW.—A person aggrieved by a final action under this subsection may obtain judicial review of such action exclusively as provided in section 8(h) of the Federal Deposit Insurance Act (12 U.S.C. 1818(h)).

(C) INJUNCTION.—The primary Federal payment stablecoin regulator may, in the discretion of the regulator, follow the procedures provided in section 8(i)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)(1)) for judicial enforcement of any effective and outstanding notice or order issued under this subsection.

(D) TEMPORARY CEASE-AND-DESIST PROCEEDINGS.—If the primary Federal payment

stablecoin regulator determines that a violation or attempted violation of this Act or an action with respect to which a determination was made under paragraph (1), (2), or (3), or the continuation thereof, is likely to cause insolvency or significant dissipation of assets or earnings of a permitted payment stablecoin issuer, or is likely to weaken the condition of the permitted payment stablecoin issuer or otherwise prejudice the interests of the customers of the permitted payment stablecoin issuer prior to the completion of the proceedings conducted under this paragraph, the primary Federal payment stablecoin regulator may follow the procedures provided in section 8(c) of the Federal Deposit Insurance Act (12 U.S.C. 1818(c)) to issue a temporary cease-and-desist order.

(5) CIVIL MONEY PENALTIES.—

(A) FAILURE TO BE APPROVED.—Any person who issues a United States dollar-denominated payment stablecoin in violation of section 3, and any institution-affiliated party of such a person who knowingly participates in issuing such a payment stablecoin, shall be liable for a civil penalty of not more than $100,000 for each

day during which such payment stablecoins are issued.

(B) FIRST TIER.—Except as provided in subparagraph (A), a permitted payment stablecoin issuer or institution-affiliated party of such permitted payment stablecoin issuer that materially violates this Act or any regulation or order issued under this Act, or that materially violates any condition imposed in writing by the primary Federal payment stablecoin regulator in connection with a written agreement entered into between the permitted payment stablecoin issuer and the primary Federal payment stablecoin regulator, shall be liable for a civil penalty of up to $100,000 for each day during which the violation continues.

(C) SECOND TIER.—Except as provided in subparagraph (A), and in addition to the penalties described under subparagraph (B), a permitted payment stablecoin issuer or institution-affiliated party of such permitted payment stablecoin issuer who knowingly participates in a violation of any provision of this Act, or any regulation or order issued thereunder, is liable for a civil penalty of up to an additional

$100,000 for each day during which the violation continues.

(D) PROCEDURE.—Any penalty imposed under this paragraph may be assessed and collected by the primary Federal payment stablecoin regulator pursuant to the procedures set forth in section 8(i)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)(2)).

(E) NOTICE AND ORDERS AFTER SEPARATION FROM SERVICE.—The resignation, termination of employment or participation, or separation of an institution-affiliated party (including a separation caused by the closing of a permitted payment stablecoin issuer) shall not affect the jurisdiction and authority of the primary Federal payment stablecoin regulator to issue any notice or order and proceed under this subsection against any such party, if such notice or order is served before the end of the 6-year period beginning on the date such party ceased to be an institution-affiliated party with respect to such permitted payment stablecoin issuer.

(6) NON-APPLICABILITY TO A STATE QUALIFIED PAYMENT STABLECOIN ISSUER.—Notwithstanding anything in this subsection to the contrary, this sub-

section shall not apply to a State qualified payment stablecoin issuer.

SEC. 7. STATE QUALIFIED PAYMENT STABLECOIN ISSUERS.

(a) IN GENERAL.—A State payment stablecoin regulator shall have supervisory, examination, and enforcement authority over all State qualified payment stablecoin issuers of such State.

(b) AUTHORITY TO ENTER INTO AGREEMENTS WITH THE BOARD.—A State payment stablecoin regulator may enter into a memorandum of understanding with the Board, by mutual agreement, under which the Board may participate in the supervision, examination, and enforcement of this Act with respect to the State qualified payment stablecoin issuers of such State.

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

(d) RULEMAKING.—A State payment stablecoin regulator may issue orders and rules under section 4 applicable to State qualified payment stablecoin issuers to the same extent as the primary Federal payment stablecoin regulators issue orders and rules under section 4 applicable to

permitted payment stablecoin issuers that are not a State qualified payment stablecoin issuers.

(e) ENFORCEMENT AUTHORITY IN UNUSUAL AND EXIGENT CIRCUMSTANCES.—

(1) BOARD.—

(A) IN GENERAL.—Subject to subparagraph (C), under unusual and exigent circumstances that the Board determines to exist, the Board may, after not less than 48 hours prior written notice to the applicable State payment stablecoin regulator, take an enforcement action against a State qualified payment stablecoin issuer or an institution-affiliated party of such issuer for violations of this Act during such unusual and exigent circumstances.

(B) RULEMAKING.—Consistent with section 18, the Board shall issue rules to set forth the unusual and exigent circumstances in which the Board may act under this paragraph.

(C) LIMITATIONS.—If, after unusual and exigent circumstances are determined to exist pursuant to subparagraph (A), the Board determines that there is reasonable cause to believe that the continuation by a State qualified payment stablecoin issuer of any activity constitutes

a serious risk to the financial safety, soundness, or stability of the State qualified payment stablecoin issuer, the Board may impose such restrictions as the Board determines to be necessary to address such risk during such usual and exigent circumstances. Such restrictions shall be issued in the form of a directive, with the effect of a cease and desist order that has become final, to the State qualified payment stablecoin issuer and any of its affiliates, limiting—

(i) the payment of dividends by the State qualified payment stablecoin issuer;

(ii) transactions between the State qualified payment stablecoin issuer, a holding company, and the subsidiaries or affiliates of either the State qualified payment stablecoin issuer or the holding company; and

(iii) any activities of the State qualified payment stablecoin issuer that might create a serious risk that the liabilities of a holding company and the affiliates of the holding company may be imposed on the State qualified payment stablecoin issuer.

(D) REVIEW OF DIRECTIVE.—

(i) ADMINISTRATIVE REVIEW.—

(I) IN GENERAL.—After a directive described in subparagraph (C) is issued, the State qualified payment stablecoin issuer, or any institution-affiliated party of the State qualified payment stablecoin issuer subject to the directive, may object and present to the Board, in writing, the reasons why the directive should be modified or rescinded.

(II) AUTOMATIC LAPSE OF DIRECTIVE.—If, after 10 days after the receipt of a response described in subclause (I), the Board does not affirm, modify, or rescind the directive, the directive shall automatically lapse.

(ii) JUDICIAL REVIEW.—

(I) IN GENERAL.—If the Board affirms or modifies a directive pursuant to clause (i), any affected party may immediately thereafter petition the United States district court for the district in which the main office of the

affected party is located or in the United States District Court for the District of Columbia to stay, modify, terminate, or set aside the directive.

(II) RELIEF FOR EXTRAORDINARY CAUSE.—Upon a showing of extraordinary cause, an affected party may petition for relief under subclause (I) without first pursuing or exhausting the administrative remedies under clause (i).

(2) COMPTROLLER.—

(A) IN GENERAL.—Subject to subparagraph (C), under unusual and exigent circumstances determined to exist by the Comptroller, the Comptroller shall, after not less than 48 hours prior written notice to the applicable State payment stablecoin regulator, take an enforcement action against a State qualified payment stablecoin issuer that is a nonbank entity for violations of this Act.

(B) RULEMAKING.—Consistent with section 18, the Comptroller shall issue rules to set forth the unusual and exigent circumstances in which the Comptroller may act under this paragraph.

(C) LIMITATIONS.—If, after unusual and exigent circumstances are determined to exist under subparagraph (A), the Comptroller determines that there is reasonable cause to believe that the continuation by a State qualified payment stablecoin issuer that is a nonbank entity of any activity constitutes a serious risk to the financial safety, soundness, or stability of the State qualified payment stablecoin issuer that is a nonbank entity, the Comptroller shall impose such restrictions as the Comptroller determines to be necessary to address such risk during such unusual and exigent circumstances. Such restrictions shall be issued in the form of a directive, with the effect of a cease and desist order that has become final, to the State qualified payment stablecoin issuer that is a nonbank entity and any of its affiliates, limiting—

(i) the payment of dividends by the State qualified payment stablecoin issuer;

(ii) transactions between the State qualified payment stablecoin issuer, a holding company, and the subsidiaries or affiliates of either the State qualified payment

stablecoin issuer or the holding company; and

(iii) any activities of the State qualified payment stablecoin issuer that might create a serious risk that the liabilities of a holding company and the affiliates of the holding company may be imposed on the State qualified payment stablecoin issuer.

(D) REVIEW OF DIRECTIVE.—

(i) ADMINISTRATIVE REVIEW.—

(I) IN GENERAL.—After a directive described in subparagraph (C) is issued, the Comptroller-regulated entity, or any institution-affiliated party of the Comptroller-regulated entity subject to the directive, may object and present to the Comptroller, in writing, the reasons why the directive should be modified or rescinded.

(II) AUTOMATIC LAPSE OF DIRECTIVE.—If, after 10 days after the receipt of a response described in subclause (I), the Comptroller does not affirm, modify, or rescind the directive, the directive shall automatically lapse.

(ii) JUDICIAL REVIEW.—

(I) IN GENERAL.—If the Comptroller affirms or modifies a directive pursuant to clause (i), any affected party may immediately thereafter petition the United States district court for the district in which the main office of the affected party is located or in the United States District Court for the District of Columbia to stay, modify, terminate, or set aside the directive.

(II) RELIEF FOR EXTRAORDINARY CAUSE.—Upon a showing of extraordinary cause, an affected party may petition for relief under subclause (I) without first pursuing or exhausting the administrative remedies under clause (i).

(f) EFFECT ON STATE LAW.—

(1) HOST STATE LAW.—The laws of a host State, including generally applicable laws relating to consumer protection, shall only apply to the activities conducted in the host State by an out-of-State State qualified payment stablecoin issuer to the same extent

as such laws apply to the activities conducted in the host State by an out-of-State Federal qualified nonbank payment stablecoin issuer.

(2) HOME STATE LAW.—If any host State law is determined not to apply under paragraph (1), the laws of the home State of the State qualified payment stablecoin issuer shall govern the activities of the permitted payment stablecoin issuer conducted in the host State.

(3) APPLICABILITY.—The laws applicable under paragraph (1) exclude host State laws governing the chartering, licensure, or other authorization to do business in the host State as a permitted payment stablecoin issuer pursuant to this Act.

SEC. 8. ANTI-MONEY LAUNDERING PROTECTIONS.

(a) DEFINITIONS.—In this subsection:

(1) DIGITAL ASSET SERVICE PROVIDER.—The term "digital asset service provider"—

(A) means a person that, for compensation or profit, engages in the business in the United States or for customers or users in the United States, of—

(i) exchanging digital assets for monetary value;

(ii) exchanging digital assets for other digital assets;

(iii) transferring digital assets to a third party;

(iv) acting as a digital asset custodian; or

(v) participating in financial services related to a digital asset issuance; and

(B) does not include—

(i) a distributed ledger protocol or a person solely developing such a protocol; or

(ii) a person solely validating transactions or operating a distributed ledger node.

(2) OFFERING.—The term "offering" means making available for purchase, sale, or exchange.

(3) DISTRIBUTED LEDGER PROTOCOL.—The term "distributed ledger protocol" means publicly available and accessible executable software deployed to a distributed ledger, including smart contracts or networks of smart contracts.

(4) LAWFUL ORDER.—The term "lawful order" means any final and valid writ, process, order, rule, decree, command, or other requirement issued or promulgated under Federal law, issued by a court of

competent jurisdiction or by an authorized Federal agency pursuant to its statutory authority, that—

(A) requires a permitted payment stablecoin issuer to seize, freeze, burn, or prevent the transfer of payment stablecoins issued by the permitted payment stablecoin issuer;

(B) specifies the digital assets or accounts subject to blocking with reasonable particularity; and

(C) is subject to judicial or administrative review or appeal as provided by law.

(b) TREASURY AUTHORITY TO DESIGNATE NONCOMPLIANT ISSUERS.—Not later than 30 days after the Department of the Treasury has, pursuant to section 4(a)(6)(B)(i)(II), identified the failure of a foreign issuer of any payment stablecoins trading in the United States that is not a permitted payment stablecoin issuer to comply with the terms of any lawful order, the Secretary of the Treasury, in coordination with relevant Federal agencies, shall designate the foreign issuer as noncompliant and notify the foreign issuer in writing of the designation.

(c) PUBLICATION OF DESIGNATION; PROHIBITION ON SECONDARY TRADING.—

(1) IN GENERAL.—If a foreign issuer described in subsection (b) does not come into compliance with

the lawful order within 30 days from the date of issuance of the written notice described in that subsection, the Secretary of the Treasury shall—

(A) publish the determination of noncompliance in the Federal Register, including a statement on the failure of the foreign issuer to comply with the lawful order after the written notice; and

(B) issue a notification in the Federal Register prohibiting digital asset service providers from facilitating secondary trading of payment stablecoins issued by the foreign issuer in the United States.

(2) EFFECTIVE DATE OF PROHIBITION.—The prohibition on facilitation of secondary trading described in paragraph (1) shall become effective on the date that is 30 days after the date of issue of notification of the prohibition in the Federal Register.

(3) WAIVERS AND EXTENSIONS.—With respect to the prohibition on facilitation of secondary trading described in paragraph (1), the Secretary of the Treasury may issue waivers and time extensions to digital asset service providers on a case by case basis.

(4) CIVIL MONETARY PENALTIES.—

(A) DIGITAL ASSET SERVICE PROVIDERS.—Any digital asset service provider that knowingly violates a prohibition under paragraph (1)(B) shall be subject to a civil monetary penalty of not more than $100,000 per violation per day.

(B) FOREIGN PAYMENT STABLECOIN ISSUERS.—Any foreign issuer of payment stablecoin that knowingly continues to publicly offer a payment stablecoin in the United States after publication of the determination of noncompliance under paragraph (1)(A) shall be subject to a civil monetary penalty of not more than $1,000,000 per violation per day, and the Secretary of the Treasury may seek an injunction in a United States District Court to bar the foreign issuer from engaging in financial transactions in the United States or with United States persons.

(d) APPEAL.—A determination of noncompliance under subsection (b) is subject to judicial review in the United States Court of Appeals for the District of Columbia Circuit.

(e) WAIVER, LICENSING AUTHORITY, AND EXCEPTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury may offer a waiver, general license, or specific license to any United States persons engaging in secondary trading described in subsection (c) on a case by case basis if the Secretary determines that—

(A) prohibiting secondary trading would adversely affect the financial system of the United States; or

(B) the foreign issuer of the payment stablecoin is taking tangible steps to remedy the failure to comply with the lawful order that resulted in the noncompliance determination under subsection (b).

(2) NATIONAL SECURITY WAIVER.—The President may waive the application of the secondary trading restrictions under subsection (c) if the President determines that the waiver is in the national security interest of the United States.

(3) EXCEPTIONS FOR INTELLIGENCE AND LAW ENFORCEMENT ACTIVITIES.—This Act shall not apply with respect to—

(A) activities subject to the reporting requirements under title V of the National Security Act of 1947 (50 U.S.C. 3091 et seq.) or any

authorized intelligence activities of the United States; or

(B) activities necessary to carry out or assist law enforcement activity of the United States.

(4) REPORT REQUIRED.—Not later than 7 days after issuing a waiver or a license under paragraph (1), the Secretary of the Treasury shall submit a report to the Chairmen and Ranking members of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives, including the text of the waiver or license, as well as the facts and circumstances justifying the waiver determination, and provide a briefing on the report.

SEC. 9. CUSTODY OF PAYMENT STABLECOIN RESERVE AND COLLATERAL.

(a) IN GENERAL.—A person may only engage in the business of providing custodial or safekeeping services for the payment stablecoin reserve, the payment stablecoins used as collateral, or the private keys of permitted payment stablecoins if the person—

(1) is subject to—

(A) supervision or regulation by a primary Federal payment stablecoin regulator or a pri-

mary financial regulatory agency described under subparagraph (B) or (C) of section 2(12) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5301(12)); or

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

(2) complies with the requirements under subsection (b), unless such person complies with similar requirements as required by a primary Federal payment stablecoin regulator, the Securities and Exchange Commission, or the Commodity Futures Trading Commission.

(b) CUSTOMER PROPERTY REQUIREMENT.—A person described in subsection (a) shall—

(1) treat and deal with the payment stablecoins, private keys, cash, and other property of a person for whom or on whose behalf the person receives, acquires,

or holds payment stablecoins, private keys, cash, and other property (hereinafter in this section referred to as the "customer") as belonging to such customer and is not the property of such person; and

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

(c) COMMINGLING PROHIBITED.—

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

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

(A) the payment stablecoins, cash, and other property of a customer may, for convenience, be commingled and deposited in an omnibus account holding the payment stablecoins, cash, and other property of more than 1 customer at a State chartered depository institution, an insured depository institution, national bank, or trust company;

(B) such share of the payment stablecoins, cash, and other property of the customer that shall be necessary to transfer, adjust, or settle a transaction or transfer of assets may be withdrawn and applied to such purposes, including the payment of commissions, taxes, storage, and other charges lawfully accruing in connection with the provision of services by a person described in subsection (a); or

(C) in accordance with such terms and conditions as a primary Federal payment stablecoin regulator may prescribe by rule, regulation, or order, any customer payment stablecoin, cash, and other property described in this subsection may be commingled and deposited in customer accounts with payment stablecoins, cash, and other property received by the person and required by the primary Federal payment stablecoin regulator to be separately accounted for, treated, and dealt with as belonging to customers.

(3) CUSTOMER PRIORITY.—With or without the segregation required under paragraph (1), the claims of a customer with respect to the property described in that paragraph shall have priority over the claims

of any person other than a customer against a person described in subparagraph (a) unless the customer expressly consents to such other priority of claim.

(d) REGULATORY INFORMATION.—A person described under subsection (a) shall submit to the applicable primary Federal payment stablecoin regulator information concerning the person's business operations and processes to protect customer assets, in such form and manner as the primary regulator shall determine.

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

SEC. 10. TREATMENT OF PAYMENT STABLECOIN ISSUERS IN INSOLVENCY PROCEEDINGS.

(a) IN GENERAL.—In any insolvency proceeding of a permitted payment stablecoin issuer under Federal or State law, including any proceeding under title 11, United States Code, and any insolvency proceeding administered by a State payment stablecoin regulator with respect to a permitted payment stablecoin issuer, the claim of a person holding payment stablecoins issued by the permitted payment stablecoin issuer shall have priority over the claims of the permitted payment stablecoin issuer and any other

creditor of the permitted payment stablecoin issuer, with respect to required payment stablecoin reserves, subject to section 507(e) of title 11, United States Code.

(b) DEFINITIONS.—Section 101 of title 11, United States Code, is amended by adding after paragraph (40B) the following:

"(40C) The terms 'payment stablecoin' and 'permitted payment stablecoin issuer' have the meanings given those terms in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.".

(c) AUTOMATIC STAY.—Section 362 of title 11, United States Code is amended—

(1) in subsection (a)—

(A) in paragraph (7), by striking "and";

(B) in paragraph (8), by striking the period and inserting "; and"; and

(C) by adding at the end the following:

"(9) the redemption of payment stablecoins issued by the debtor, from payment stablecoin reserves required to be maintained under section 4 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025."; and

(2) in subsection (d)—

(A) in paragraph (3)(B)(ii), by striking "or" at the end;

(B) in paragraph (4)(B), by striking the period at the end and inserting "; or"; and

(C) by inserting after paragraph (4) the following:

"(5) with respect to the redemption of payment stablecoins held by a person, if the court finds, subject to the motion and attestation of the debtor on the petition date, there are payment stablecoin reserves available for distribution on a ratable basis to similarly situated payment stablecoin holders, provided that the court shall use best efforts to enter a final order to begin distributions under this paragraph not later than 14 days after the date of the required hearing.".

(d) PRIORITY IN BANKRUPTCY PROCEEDINGS.—Section 507 of title 11, United States Code, is amended—

(1) in subsection (a), by striking "The following" and inserting "Subject to subsection (e), the following"; and

(2) by adding at the end the following:

"(e) Notwithstanding subsection (a), if a payment stablecoin holder is not able to redeem all outstanding payment stablecoin claims from required payment stablecoin

reserves maintained by the debtor, any remaining claim of a person holding a payment stablecoin issued by the debtor shall have first priority over any other claim, including over any expenses and claims that have priority under that subsection, to the extent compliance with section 4 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 would have required additional reserves to be maintained by the debtor for payment stablecoin holders.''.

(e) PAYMENT STABLECOIN RESERVES.—Section 541(b) of title 11, United States Code, is amended—

(1) in paragraph (9), in the flush text following subparagraph (B), by striking "or" at the end;

(2) in paragraph (10)(C), by striking the period and inserting "; or"; and

(3) by inserting after paragraph (10) the following:

"(11) required payment stablecoin reserves under section 4 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.''.

(f) INTERVENTION.—Section 1109 of title 11, United States Code, is amended by adding at the end the following:

"(c) The Comptroller of the Currency or State payment stablecoin regulator (as defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins

Act of 2025) shall raise and shall appear and be heard on any issue, including the protection of customers, in a case under this chapter in which the debtor is a permitted payment stablecoin issuer.''.

(g) APPLICATION OF EXISTING INSOLVENCY LAW.—In accordance with otherwise applicable law, an insolvency proceeding with respect to a permitted payment stablecoin issuer shall occur as follows:

(1) A depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) shall be resolved by the Federal Deposit Insurance Corporation, National Credit Union Administration, or State payment stablecoin regulator, as applicable.

(2) A subsidiary of a depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or a nonbank entity may be considered a debtor under title 11, United States Code.

SEC. 11. INTEROPERABILITY STANDARDS.

The primary Federal payment stablecoin regulators, in consultation with the National Institute of Standards and Technology, other relevant standard setting organizations, and State bank and credit union regulators, shall assess and, if necessary, may, pursuant to section 553 of title

5 and in a manner consistent with the National Technology Transfer and Advancement Act of 1995 (Public Law 104–113), prescribe standards for permitted payment stablecoin issuers to promote compatibility and interoperability with—

(1) other permitted payment stablecoin issuers; and

(2) the broader digital finance ecosystem, including accepted communications protocols and blockchains, permissioned or public.

SEC. 12. STUDY ON NON-PAYMENT STABLECOINS.

(a) STUDY BY TREASURY.—

(1) STUDY.—The Secretary of the Treasury, in consultation with the Board, the Comptroller, the Corporation, the Securities and Exchange Commission, and the Commodity Futures Trading Commission shall carry out a study of non-payment stablecoins, including endogenously collateralized payment stablecoins.

(2) REPORT.—Not later than 365 days after the date of the enactment of this Act, the Secretary shall provide to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a report that contains all findings made in carrying

out the study under paragraph (1), including an analysis of—

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

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

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

(D) nature of reserve compositions;

(E) types of algorithms being employed;

(F) governance structure, including aspects of decentralization;

(G) nature of public promotion and advertising; and

(H) clarity and availability of consumer notices disclosures.

(b) ENDOGENOUSLY COLLATERALIZED PAYMENT STABLECOIN DEFINED.—In this section, the term "endogenously collateralized payment stablecoin" means any digital asset—

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

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

SEC. 13. REPORTS.

(a) ANNUAL REPORTING REQUIREMENT.—Beginning on the date that is 1 year after the date of enactment of this Act, and annually thereafter, the primary Federal payment stablecoin regulators shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Financial Services of the House of Representatives, and the Director of the Office of Financial Research a report on the status of the payment stablecoin industry, including—

(1) a summary of trends in payment stablecoin activities;

(2) a summary of the number of applications for permitted payment stablecoin issuer under section 5, including aggregate approvals and rejections of applications; and

(3) a description of the potential financial stability risks posed to the safety and soundness of the broader financial system by payment stablecoin activities.

(b) FSOC REPORT.—The Financial Stability Oversight Council shall incorporate the findings in the report

under subsection (a) into the annual report of the Council required under section 112(a)(2)(N) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5322).

SEC. 14. AUTHORITY OF BANKING INSTITUTIONS.

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

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

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

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

(b) REGULATORY REVIEW.—The primary Federal payment stablecoin regulators shall review all existing guidance and regulations, and if necessary, amend or promulgate new regulations and guidance, to clarify that regulated entities can engage in the payment stablecoin activities contemplated in, and in accordance with, this Act.

(c) TREATMENT OF CUSTODY ACTIVITIES.—The appropriate Federal banking agency (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)), the National Credit Union Administration (in the case of a credit union), and the Securities and Exchange Commission may not require a depository institution, national bank, Federal credit union, State credit union, or trust company, or any institution-affiliated party thereof—

(1) to include assets held in custody that are not owned by the entity as a liability on the financial statement or balance sheet of the entity, including payment stablecoin custody or safekeeping activities;

(2) to hold regulatory capital against assets, including reserves backing such assets described in section 4(a)(1)(A), in custody or safekeeping, except as necessary to mitigate against operational risks inherent with the custody or safekeeping services, as determined by—

(A) the appropriate Federal banking agency;

(B) the National Credit Union Administration (in the case of a credit union);

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

(D) a State credit union supervisor (as defined under section 6003 of the Anti-Money Laundering Act of 2020);

(3) to recognize a liability for any obligations related to activities or services performed for digital assets that the entity does not own in any amount greater than the expense recognized in the income statement or the consideration received as a result of the corresponding obligation.

(d) DEFINITIONS.—In this section:

(1) DEPOSITORY INSTITUTION.—The term "depository institution" has the meaning given that term under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(2) CREDIT UNION TERMS.—The terms "Federal credit union" and "State credit union" have the meaning given those terms, respectively, under section 101 of the Federal Credit Union Act.

SEC. 15. AMENDMENTS TO CLARIFY THAT PAYMENT STABLECOINS ARE NOT SECURITIES OR COMMODITIES AND PERMITTED PAYMENT STABLECOIN ISSUERS ARE NOT INVESTMENT COMPANIES.

(a) INVESTMENT ADVISERS ACT OF 1940.—Section 202(a)(18) of the Investment Advisers Act of 1940 (15

U.S.C. 80b–2(a)(18)) is amended by adding at the end the following: ''The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.''.

(b) INVESTMENT COMPANY ACT OF 1940.—The Investment Company Act of 1940 is amended—

(1) in section 2(a)(36) (15 U.S.C. 80a–2(a)(36))(15 U.S.C. 80a–2(a)(36)), by adding at the end the following: ''The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.''; and

(2) in section 3(c)(3) (15 U.S.C. 80a–3(c)(3)), by inserting ''any permitted payment stablecoin issuer, as such term is defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025;'' after ''therefor;''.

(c) SECURITIES ACT OF 1933.—Section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is amended by adding at the end the following: ''The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in sec-

tion 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.''.

(d) SECURITIES EXCHANGE ACT OF 1934.—Section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(10)) is amended by adding at the end the following: ''The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.''.

(e) SECURITIES INVESTOR PROTECTION ACT OF 1970.—Section 16(14) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll(14)) is amended by adding at the end the following: ''The term 'security' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025.''.

(f) COMMODITY EXCHANGE ACT.—Section 1a of the Commodity Exchange Act (7 U.S.C. 1a) is amended by adding at the end the following: ''The term 'commodity' does not include a payment stablecoin issued by a permitted payment stablecoin issuer, as such terms are defined in section 2 of the Guiding and Establishing National Innovation for U.S. payment stablecoins Act of 2025.''

SEC. 16. RECIPROCITY FOR PAYMENT STABLECOINS ISSUED IN OVERSEAS JURISDICTIONS.

Notwithstanding section 2(15)(A)(ii)(III), the Secretary of the Treasury shall create and implement reciprocal arrangements or other bilateral agreements between the United States and jurisdictions with substantially similar payment stablecoin regulatory regimes to the requirements under this Act, including reserve requirements, supervision, anti-money laundering and counter-terrorism features, sanctions compliance standards, liquidity requirements, and risk management standards, to facilitate international transactions and interoperability with United States dollar-denominated payment stablecoins issued overseas. The Secretary of the Treasury shall aim to complete such arrangements not later than the date that is 2 years after the date of enactment of this Act.

SEC. 17. EFFECTIVE DATE.

(a) IN GENERAL.—This Act, and the amendments made by this Act, shall take effect on the earlier of—

(1) 18 months after the date of enactment of this Act; or

(2) the date that is 120 days after the date on which the primary Federal payment stablecoin regulators issue any final regulations implementing this Act.

(b) NOTICE TO CONGRESS.—The primary Federal payment stablecoin regulators shall notify Congress upon beginning to process applications under this Act.

(c) SAFE HARBOR FOR PENDING APPLICATIONS.—The primary Federal payment stablecoin regulators may waive the application of the requirements of this Act for a period not to exceed 12 months beginning on the effective date described under subsection (a), with respect to—

(1) a subsidiary of an insured depository institution, if the insured depository institution has an application pending for the subsidiary to become a permitted payment stablecoin issuer on that effective date; or

(2) a nonbank entity with an application pending to become a Comptroller-regulated entity on that effective date.

SEC. 18. RULEMAKING.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, each primary Federal payment stablecoin regulator, the Secretary of the Treasury, and each State payment stablecoin regulator shall implement this Act through appropriate notice and comment rulemaking, including promulgating regulations as described in this Act as necessary.

(b) COORDINATION.—Federal payment stablecoin regulators and State payment stablecoin regulators should coordinate on the issuance of any regulations to implement this Act.

(c) REPORT REQUIRED.—Not later than 180 days after the date of enactment of this Act, each Federal banking agency shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that confirms and describes the rules promulgated to implement this Act.

Calendar No. 33

119TH CONGRESS
1ST SESSION

S. 919

A BILL

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

MARCH 18, 2025

Reported with an amendment