July 13, 2026

The Honorable John Thune
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Majority Leader Thune and Minority Leader Schumer:

On behalf of America's state bankers associations, representing thousands of community financial institutions across the country, we write regarding the Clarity Act, the digital asset market structure legislation currently pending before the Senate.

Community banks support responsible innovation and recognize the potential benefits of a well-regulated digital asset marketplace. Throughout the development of this legislation, our institutions and trade associations have engaged constructively with lawmakers, staff, regulators, and other stakeholders to help shape a framework that balances innovation with the needs of consumers, local communities, and the financial system.

That engagement has produced meaningful improvements. We appreciate the efforts that have been made to address concerns regarding stablecoin interest, yield, and rewards, and we recognize the substantial work undertaken to develop provisions intended to distinguish payment-related functionality from deposit-like products.

At the same time, significant questions remain regarding whether the current language in Section 404 provides sufficient clarity and certainty to achieve that objective. In particular, we remain concerned that ambiguities within the bill could encourage stablecoin arrangements to effectively function as substitutes for deposits, despite Congress's longstanding and clearly stated intent that payment stablecoins should serve as transaction tools rather than store-of-value products. These concerns must be addressed.

For community financial institutions, the consequences of deposit flight are not theoretical. Deposits gathered in cities, towns, and rural communities are reinvested through mortgage lending, small-business financing, agricultural credit, and other forms of relationship banking that support local economic growth. Ensuring that stablecoin regulations draw clear and enforceable boundaries around interest- and yield-like incentives is therefore essential to preserving the flow of credit that local communities depend upon.

Recommendations:

We recommend the following targeted revisions to Section 404(c)(1) to clarify the scope and meaning of the prohibition on interest and yield and ensure that the prohibition cannot be evaded through creatively structured incentives:

• We urge that “solely” be removed from (1)(A) and that “on a payment stablecoin balance” and “on an interest-bearing bank deposit” be removed from (1)(B).

• In addition, we recommend replacing the functional and economic equivalence standard with one evaluating substantial similarity in (1)(B).

The prohibition in amended Section 404 would thus read as follows:

> (1) IN GENERAL. --No covered party shall, directly or indirectly, pay any form of interest or yield (whether in cash, tokens, or other consideration) to a restricted recipient--
>
> (A) ~~solely~~ in connection with the holding of such recipient’s payment stablecoins; or
>
> (B) ~~on a payment stablecoin balance~~ in a manner that is ~~economically or functionally equivalent~~ substantially similar to the manner in which banking organizations pay~~ment of~~ interest or yield ~~on an interest bearing bank deposit~~.

For consistency, the “substantially similar” test would replace the “functional and economic equivalent” test where it appears elsewhere in Section 404.

Avoid Introducing Ambiguity that Contradicts the Objective of the Prohibition

Section 404 requires joint agency regulations that allow digital asset service providers and their affiliates to pay consideration, rewards, or benefits calculated by reference to duration, balance and tenure. Given that interest payments are often calculated by reference to duration, balance and tenure, this subsection appears contradictory to the initial prohibition. Removing this provision aligns with our shared objective to not incentivize the idle holding of payment stablecoins for extended periods of time. Retaining this section would negate the goals of the upfront prohibition (to deter deposit flight) while tying rewards directly to how much and for how long customers hold payment stablecoins in wallets or exchanges.

Recommendation: We urge that the subsection (3)(B) be removed in its entirety.

> ~~(B) For the avoidance of doubt, payments to restricted recipients of consideration, rewards, or benefits that are permissible pursuant to paragraph (2) and subparagraph (A) may be calculated by reference to a balance, duration, tenure, or any combination of the foregoing.~~

As the Senate considers final passage, we respectfully encourage lawmakers to strengthen the legislation by incorporating the changes described above and by providing greater certainty that incentives tied to the holding, retention, or balance of payment stablecoins cannot be used in ways that undermine congressional intent. Clarifying these provisions would help establish durable rules of the road, support responsible innovation, and provide the clearest path to achieving Congress’s stated objective while reducing the risk of unintended consequences for consumers and communities alike.

We appreciate your consideration and remain committed to working constructively with policymakers to resolve this issue.

Sincerely,

Alabama Bankers Association

Alaska Bankers Association

American Bankers Association

Arizona Bankers Association

Arkansas Bankers Association

Arkansas Community Bankers

BankIn Minnesota

Bluegrass Community Bankers Association

California Bankers Association

California Community Banking Network

Colorado Bankers Association

Community Bankers Association of Georgia

Community Bankers Association of Illinois

Community Bankers Association of Kansas

Community Bankers Association of Ohio

Community Bankers Association of Oklahoma

Community Bankers of Iowa

Community Bankers of Michigan

Community Bankers of Washington

Connecticut Bankers Association

DC Bankers Association

Delaware Bankers Association

Florida Bankers Association

Georgia Bankers Association

Hawaii Bankers Association

Idaho Bankers Association

Illinois Bankers Association

Independent Bankers Association of New York State

Independent Bankers Association of Texas

Independent Banks of South Carolina

Independent Community Bankers Association of New Mexico

Independent Community Bankers of America

Independent Community Bankers of Colorado

Independent Community Bankers of South Dakota

Independent Community Banks of North Dakota

Indiana Bankers Association

Iowa Bankers Association

Kansas Bankers Association

Kentucky Bankers Association

Louisiana Bankers Association

Maine Bankers Association

Maryland Bankers Association

Massachusetts Bankers Association

Michigan Bankers Association

Minnesota Bankers Association

Mississippi Bankers Association

Missouri Bankers Association

Missouri Independent Bankers Association

Montana Bankers Association

Montana Independent Bankers

Nebraska Bankers Association

Nebraska Independent Community Bankers

Nevada Bankers Association

New Hampshire Bankers Association

New Jersey Bankers Association

New Mexico Bankers Association

New York Bankers Association

North Carolina Bankers Association

North Dakota Bankers Association

Ohio Bankers League

Oklahoma Bankers Association

Oregon Bankers Association

Pennsylvania Association of Community Bankers

Pennsylvania Bankers Association

Puerto Rico Bankers Association

Rhode Island Bankers Association

South Carolina Bankers Association

South Dakota Bankers Association

Tennessee Bankers Association

Texas Bankers Association

Utah Bankers Association

Vermont Bankers Association

Virginia Association of Community Banks

Virginia Bankers Association

Washington Bankers Association

West Virginia Bankers Association

Wisconsin Bankers Association

Wyoming Bankers Association