Sept. 14, 2026

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

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

Dear Leader Thune and Leader Schumer:

The undersigned trade associations, representing depository institutions that serve hundreds of millions of American consumers, agree that the digital-asset market needs a durable regulatory framework. We urge the Senate, as they begin to consider the Clarity Act, to strengthen the bill as it moves forward through the legislative process by addressing critical concerns raised by banks of all sizes regarding the risk of deposit flight and diminished credit and lending associated with permitting yield on payment stablecoins. We firmly believe that the Clarity Act with the changes we recommend herein can strike the right balance of embracing innovation while also protecting consumers, ensuring the stability of the U.S. financial system and mitigating the risks to Main Street communities posed by the payment of yield or interest on payment stablecoins.

Deposits are the foundation of the banking system, allowing banks to help families buy homes, send children to college and weather financial challenges, while also enabling farmers and small businesses to grow and create jobs. Reliable deposits also help institutions sustain credit and banking services for servicemembers, veterans and their families. When deposits decline, it reduces the availability of credit that supports communities and pathways to upward mobility. This risk may be particularly consequential for community and mission-driven banks that rely on deposits to fund relationship-based lending in the communities they serve. The ability of payment stablecoins, which were originally designed to serve as payment instruments rather than as a store of value, to offer incentives similar to deposits and other store-of-value products could lead to deposit flight from our nation's banks and thereby hinder the ability of depository institutions to extend credit to their customers.

The current language in the bill seeks to draw a line by prohibiting payment stablecoin yield, or incentives that act like yield, on stablecoin balances or other stores of value while allowing for rewards to be generated for transactions and activities. We support this distinction in principle, although we believe that the way the current legislative text is drafted provides loopholes and avenues for the prohibition to be easily evaded that would still allow interest and interest-like payments to be made on stablecoin balances. Additionally, the inclusion of a deposit-flight "circuit breaker" is an acknowledgment that shifting deposits from regulated financial institutions into payment stablecoins can threaten credit availability and create broader economic consequences. However, a circuit breaker that activates only after substantial deposit flight has already occurred is not a safeguard at all. Congress should address this risk upfront by ensuring the Clarity Act prohibits payment stablecoin rewards and incentives that function like deposit interest, rather than waiting for harm to banks, borrowers and communities before regulators are empowered to respond. Further technical refinements are needed to ensure that the text clearly and directly prohibits interest-like payments on payment stablecoins.

Recommendations:

We respectfully request that the following amendments to the CLARITY Act be made to uphold the stated goals of Section 404:

Amend Section 10404(c)(1) to clarify the scope and meaning of the prohibition

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 recommend the following targeted revisions to Section 10404(c)(1):

- **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 10404 would thus read as follows:

I. **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 the payment stablecoins of that restricted recipient; 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 10404.

Remove Section 10404(3)(B) that contradicts the objective of the prohibition

Section 10404 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 to contradict the initial prohibition. It would tie rewards directly to how much and for how long customers hold payment stablecoins in wallets or exchanges. The Clarity Act should not incentivize the idle holding of payment stablecoins for extended periods of time.

~~(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.~~

We appreciate the Senate's efforts to establish a regulatory and policy framework for the digital assets market that will help foster responsible innovation. With the targeted changes described above, we believe that this innovation can be pursued while also protecting the ability of banks to continue providing credit for America's consumers, small businesses and communities. Achieving this balance is critical for maintaining the strength, resilience and global leadership of the American financial system, and we ask that the Senate incorporate these changes as it considers final passage of the Clarity Act.

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Sincerely,

American Bankers Association
Association of Military Banks of America
Bank Policy Institute
Consumer Bankers Association
Financial Services Forum
Independent Community Bankers of America
Mid-Size Bank Coalition of America
National Bankers Association