July 28, 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:

As officers of state bankers associations from across the country, and as bankers serving communities in every region of the United States, we write to reinforce the concerns and recommendations recently transmitted by our state bankers associations regarding the Clarity Act.

We support responsible innovation and recognize the potential benefits of a well-regulated digital asset marketplace. As bankers who serve customers, make loans, and invest deposits back into our communities, we also believe it is essential that Congress draw a clear line between payment innovation and deposit substitution.

The letter submitted by our state bankers associations outlines targeted revisions to Section 10404 (formerly Section 404 in the previous draft) designed to ensure that the prohibition on stablecoin interest and yield cannot be evaded through rewards, incentives, or other arrangements that are substantially similar to interest payments. We strongly support those recommendations and urge the Senate to incorporate them before final passage.

We are writing separately to underscore the practical stakes for bankers and the communities we serve. Clear statutory language will help determine whether funds raised locally continue to support credit availability in those same communities.

For banks in our states, deposits are the foundation for extending credit to families, small businesses, farmers, and local employers. Those funds help finance first homes, equipment purchases, seasonal operating needs, payrolls, and community investment. If stablecoin products are permitted to attract and retain balances through interest-like rewards or other holding-based incentives, the local funding base that supports this lending could be weakened by hundreds of billions.

That risk is particularly important because Congress has made clear that payment stablecoins should serve as transaction tools, not store-of-value products. The final legislation should reflect that intent plainly and should guard against incentives tied to the holding, retention, duration, tenure, or balance of payment stablecoins that could function as interest or yield.

Summary of the Recommended Changes

As described in greater detail in the state bankers associations' letter, the Senate should make targeted changes to Section 10404 to clarify that covered parties may not directly or indirectly pay interest, yield, or substantially similar incentives in connection with the holding of payment stablecoins.

- Clarify the prohibition on stablecoin interest and yield so that it cannot be avoided through creatively structured rewards, incentives, or other consideration.
- Use a clearer "substantially similar" standard to prevent payment stablecoin arrangements from replicating the economic features of interest payments.
- Remove language that would allow rewards or benefits to be calculated by reference to balance, duration, or tenure, which risks undercutting the very prohibition the bill is intended to establish.

These are narrow but important changes. They would preserve space for responsible payment innovation while reducing the risk that stablecoin products are marketed or structured in ways that replicate deposit-like incentives without the same regulatory framework and community-lending obligations that apply to insured depository institutions.

We appreciate the work lawmakers have done to improve the bill and share the goal of supporting responsible innovation. The final framework should also guard against unintended incentives that could accelerate deposit migration away from the institutions that finance local economic activity.

As state association officers, we bring a perspective grounded in the day-to-day work of serving customers and communities in our states. We see firsthand how stable funding supports mortgages, small-business expansion, farm operations, payrolls, and community development.

We therefore urge the Senate to incorporate the targeted Section 10404 changes recommended by our state bankers associations before final passage. Doing so will help ensure that payment stablecoins remain payment tools, support responsible innovation, and protect the credit channels that families, small businesses, farmers, and communities depend on.

Sincerely,

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