



May 8, 2026

The Honorable Tim Scott
Committee on Banking, Housing &
Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Elizabeth Warren
Committee on Banking, Housing &
Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Scott and Ranking Member Warren:

The undersigned trade associations, representing depository institutions that serve millions of American consumers, write to urge you to address 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. Recently, Senators Tillis and Alsobrooks released new Section 404 language of the CLARITY Act that reflects their efforts to balance financial innovation with the foundational role that bank deposits play in supporting lending, economic growth and community development. Their efforts have improved Section 404 compared to the original Section 404 language that was included for consideration at markup in January. Additional work, however, is needed to arrive at text that embraces the innovation represented by digital assets 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.

Our concern is that payment stablecoin yield, or incentives that act like yield, can reduce U.S. deposits and, in turn, banks' capacity to extend credit across the country. We are aligned with the distinction the proposal is trying to draw—that certain payment stablecoin transactions and activities will be allowed to generate rewards, like a rebate or incentive provided in connection with the acceptance or use of a payment stablecoin, while interest-like payments on stablecoin balances or other stores of value will be prohibited. We are concerned, however, that the proposed language includes exceptions that will enable evasion of the intended prohibition and incentivize customers to hold and grow stablecoin balances at the expense of deposits.

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. When deposits decline, it reduces the availability of credit that supports communities and pathways to upward mobility. Research indicates that deposit

flight driven by the widespread adoption of yield-bearing stablecoins could reduce consumer, small business and agricultural lending by one-fifth or more, highlighting the stakes involved in ensuring that the statutory framework is both precise and robust.¹ Moreover, deposits are insured to applicable limits, which carries important benefits for consumers, businesses and financial stability.

Further, since the language was released, people across industries have drawn different conclusions about the types of payments that the language will prohibit or allow. These differing perspectives demonstrate the need for technical refinements to ensure the text clearly and directly prohibits interest-like payments on payment stablecoins.

For example, it is unclear whether the text would capture and prohibit the following types of interest-like reward structures:

1. A payment made on a balance or account structured like a money market mutual fund, rather than an interest-bearing bank deposit.
2. Paying a stablecoin holder a flat amount monthly that increases as balances increase.
3. Paying a reward to a stablecoin holder based on their stablecoin balance but triggered by making a specified number of transactions monthly.

These represent just a few of the many creative structures that will purport not to be “economically or functionally equivalent” to an interest payment on an interest-bearing bank deposit, when the intent of the language is that they should clearly be prohibited.

Accordingly, we believe certain provisions of the proposed Section 404 language need to be revised in order to clarify that all interest-like payments on payment stablecoins are prohibited. The clarifying recommendations we are providing align with our previous views and recommendations on the payment of interest and yield on payment stablecoins.²

Clarify the Prohibition on Interest and Yield

The prohibition applies in two circumstances: (1) when a covered party pays interest or yield “solely in connection with the holding” of payment stablecoins. This limited prohibition permits straightforward structuring opportunities that easily circumvent the prohibition and undermine Congressional intent because the prohibition applies only to payments of interest or yield that are “solely” in connection with holding payment stablecoins. This would provide opportunities for evasion as adding an ancillary *de minimis* requirement would cause otherwise impermissible yield or interest payments to fall outside the scope of the prohibition (see example #3 in the previous section); (2) when a covered party pays interest or yield “on a payment stablecoin balance in a manner that is economically or functionally equivalent to the payment of interest or

¹ <https://openbanker.beehiiv.com/p/stablecoinshock>

yield on an interest-bearing bank deposit.” The phrases “on a payment stablecoin balance” and “on an interest-bearing bank deposit” limit the prohibition to something less than the full complement of yield-bearing products. In addition, the test for functional and economic equivalence creates an overly narrow standard that will not effectively prohibit compensation tied to idle payment stablecoin balances, which may otherwise be structured slightly differently than an interest-bearing deposit account but nevertheless have substantially similar design and effects (see example #1 in the previous section).

This prohibition therefore creates significant opportunity for easy avoidance of this prohibition altogether, contrary to Congressional intent.

Recommendations:

We recommend the following revisions to Section 404(c)(1) to clarify the scope and meaning of the prohibition on interest and yield:

- 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 payment 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.~~

Our goal in offering these recommendations, which we believe are consistent with Senator Tillis and Senator Alsobrooks' critical policy goal of stopping deposit flight, is to ensure any final legislation signed into law ushers in a new financial market designed to fully accommodate digital assets and blockchain technologies, while also protecting the economic resilience of America's consumers, small businesses and communities.

We remain committed to working in good faith with the Administration, Congress, regulators and other stakeholders to develop a policy framework that embraces responsible innovation. Achieving this balance is essential to maintaining the strength, resilience and global leadership of the American financial system.

We would welcome an opportunity to continue discussing these important changes with you, your staff and other members of the committee at your convenience.

Sincerely,

American Bankers Association
Bank Policy Institute
Consumer Bankers Association
Financial Services Forum
Independent Community Bankers of America
National Bankers Association

Cc: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs