

June 11, 2026

United States Senate
Washington, D.C. 20510

Re: Strengthen Prohibition on Payment of Interest, Yield, or Rewards in the CLARITY Act

Dear Senator:

On behalf of the Independent Community Bankers of America (ICBA) and the undersigned state banking associations, and the thousands of community banks we represent, we write to urge critical amendments to the CLARITY Act (H.R. 3633) before it is considered on the Senate floor. These technical changes must be made in order for the legislation to actually work as intended and advertised.

We share the interest in crafting a framework that will balance financial innovation with continued access to credit for small businesses, farmers, and families. To achieve this balance, the legislation must create a robust and effective prohibition on payment of interest, yield, or rewards to holders of stablecoins. The current legislation does not achieve this stated goal, and without it, community banks would experience a significant loss of the deposits they use to create credit for America's Main Street economies.

The current text (Section 404) does not create a sufficiently strong prohibition on payment of interest and yield. Loopholes must be closed to address our concerns. (See attached redline of recommended changes to Section 404.)

Americans' Access to Credit Is at Risk

A prohibition on payment of interest, yield, or rewards to holders of payments stablecoins is critical to maintaining Americans' access to credit. This prohibition must apply to all persons, including stablecoin issuers, their affiliates, and other third parties.

A strong prohibition will maintain stablecoins' intended purpose as a payment mechanism. It will prevent a flight of FDIC-insured domestic deposits to global crypto conglomerates and other non-bank entities. These non-banks do not have the same regulatory oversight or commitment to local lending as community banks. Only community banks have a vested interest and primary commitment to local economies.

Research Clarifies the Impact on Community Bank Lending Capacity

Based on new macroeconomic modeling, ICBA estimates that the growth of the stablecoin market resulting from payment of yield or interest on stablecoins will significantly reduce community banks' ability to support local lending needs. A projected \$1.3 trillion reduction of the \$4.8 trillion in total deposits held by community banks could result in an \$850 billion decline

in lending activity in a matter of years. Treasury Secretary Bessent predicted that the total payment stablecoin market will reach \$3 trillion by 2030.

America's small businesses, farmers, ranchers, and rural communities stand to lose access to capital and credit. Innovation, small business expansion, job creation, and economic growth in communities across America would suffer.

Section 404 of H.R. 3633 Must Be Strengthened

The current language of Section 404 does not adequately address the concerns stated above. While Section 404 creates a narrow, general prohibition on payment of interest and yield, it also contains ambiguity and loopholes that could easily be exploited by crypto-entities. In addition, the rulemaking authority would effectively neuter the prohibition.

In summary, we believe the current language does not effectively prohibit interest-like payments on stablecoin balances. Permitting yield and interest allows payment stablecoins to function as stores of value, driving deposit flight and decreasing the community bank lending capacity that powers local economies. **We urge your consideration of our recommended changes to Section 404 set forth in the attachment to this letter.**

We stand ready to work with you to craft legislation that will promote financial innovation and maintain America's global leadership while protecting the critical availability of credit to the small businesses, farmers, ranchers, and families across America who depend on their local community banks.

Thank you for your consideration.

Sincerely,

Independent Community Bankers of America
Arizona Bankers Association
California Community Banking Network
Connecticut Bankers Association
Community Bankers Association of Georgia
Community Bankers Association of Illinois
Community Bankers of Iowa
Bluegrass Community Bankers Association
Maine Bankers Association
Massachusetts Bankers Association, Inc.
BankIn Minnesota
Missouri Independent Bankers Association
Nebraska Independent Community Bankers
New Jersey Bankers Association

Alabama Bankers Association
Arkansas Community Bankers
Independent Community Bankers of Colorado
Florida Bankers Association
Idaho Bankers Association
Indiana Bankers Association
Community Bankers Association of Kansas
Louisiana Bankers Association
Maryland Bankers Association
Community Bankers of Michigan
Mississippi Bankers Association
Montana Independent Bankers
New Hampshire Bankers Association
Independent Community Bankers Association
of New Mexico

Independent Bankers Association of New York State	North Carolina Bankers Association
Independent Community Banks of North Dakota	Community Bankers Association of Ohio
Community Bankers Association of Oklahoma	Oregon Bankers Association
Pennsylvania Association of Community Bankers	Independent Banks of South Carolina
Independent Community Bankers of South Dakota	Tennessee Bankers Association
Independent Bankers Association of Texas	Vermont Bankers Association, Inc.
Virginia Association of Community Banks	Community Bankers of Washington
Community Bankers of West Virginia	Wisconsin Bankers Association
Wyoming Bankers Association	

Attachment: Recommended technical changes to Section 404 of the CLARITY Act to more effectively prohibit yield-like payments on stablecoin balances.

Recommended Revisions to Create Strong and Effective Section 404 Prohibition

ICBA, ABA, BPI, CBA, the Financial Services Forum, and NBA 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.~~