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May 12, 2026

The Honorable Tim Scott
Chairman
Committee on Banking
United States Senate
Washington, D.C. 20510

The Honorable Elizabeth Warren
Ranking Member
Committee on Banking
United States Senate
Washington, D.C. 20510

Re: Strengthen Prohibition on Payment of Interest, Yield, or Rewards in Section 404 of H.R. 3633

Dear Chairman Scott and Ranking Member Warren:

On behalf of the Independent Community Bankers of America (ICBA) and the nearly 45,000 community bank locations we represent, I write in advance of the Committee markup to convey our views on H.R. 3633, the Digital Asset Market Clarity Act of 2025, and specifically on Section 404, "Prohibiting Interest and Yield on Payment Stablecoins."

We appreciate the ongoing opportunity to provide input on this developing legislation and share your interest in crafting a framework that will promote financial innovation while maintaining access to credit for small businesses, farmers, and families. To achieve this, the legislation must create a robust and effective prohibition on payment of interest and yield. The current text does not create a prohibition that adequately addresses the loss of credit availability to Main Street economies that would result from an outflow of community bank deposits.

Congress took the first step to restrict the payment of interest and yield by payment stablecoin issuers with the GENIUS Act. Market structure legislation must complete this important work by explicitly extending this prohibition to crypto exchanges, affiliates, and other intermediaries.

As the Senate considers H.R. 3633, legislation to establish a regulatory framework for digital assets markets, **ICBA calls for lawmakers to protect local lending by ensuring the legislation establishes a robust prohibition against offering yield, interest, or rewards on payment stablecoin holdings**.

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What's at Stake

This prohibition on payment of interest, yield, or rewards is critical to maintaining Americans' access to credit. A strong prohibition will maintain stablecoins' intended purpose as a payment mechanism and help avoid a flight of FDIC-insured domestic deposits to global crypto conglomerates and other non-bank entities that do not have the same regulatory oversight or local commitment as community banks. The loss of community bank lending would leave a credit vacuum—only community banks have a vested interest in and demonstrated commitment to Main Street economies.

The research clearly shows that payment of yield, interest or rewards on payment stablecoin holdings will reduce 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. The 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.[1] These findings are also validated by independent research conducted by the Federal Reserve, which estimates that a high-adoption scenario could see $1 trillion in deposits leaving the banking system and a plunge in lending of $1.26 trillion.[2]

America's small businesses, farmers, ranchers, and rural communities stand to lose access to credit this deposit flight occurs, stifling innovation and small business expansion, reducing job creation, and hindering economic growth in communities across the country. We encourage the Committee to consider these potential impacts, especially in light of Treasury Secretary Bessent's prediction that the total payment stablecoin market will reach $3 trillion[3] by the end of the decade. Congress must balance financial innovation with the foundational role that bank deposits play in supporting lending, economic growth, and community development.

Concerns with Current Legislation

We appreciate the work of the Committee in considering complex issues related to digital assets. However, we believe the current language does not adequately address concerns related to the negative impact on community bank capacity to support the real economy. Our concerns with the yield and interest provisions of the Act are specified below.

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[1] Detailed analysis is available in ICBA's recent letter to the Office of the Comptroller of the Currency on the implementation of the GENIUS Act.
[2] Jessie Jiaxu Wang, "Banks in the Age of Stablecoins: Some Possible Implications for Deposits, Credit, and Financial Intermediation," FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025), https://doi.org/10.17016/2380-7172.3970.
[3] Sec. of the Treasury Scott Bessent, Remarks before the Treasury Market Conference (Nov. 12, 2025), https://home.treasury.gov/news/press-releases/sb0314.

- *The prohibition on yield and interest must be clarified to prevent evasion.* The prohibition in Section 404, set forth in two prongs, must be clarified, as its phrasing and ambiguity create significant opportunity for avoidance of this prohibition, contrary to Congressional intent.
    - The first prong prevents a covered party from paying 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. For example, a prohibition that applies only to payments of interest or yield that are "solely" in connection with holding payment stablecoins can easily be evaded by adding a *de minimis* ancillary requirement, allowing otherwise impermissible yield or interest payments to fall outside the scope of the prohibition.
    - The second prong prevents a covered party from paying interest or yield "on a payment stablecoin balance in a manner that is *economically or functionally equivalent to* the payment of interest or to yield on an interest-bearing bank deposit." This limited prohibition fails to stop digital asset service providers and their affiliates from paying yield and interest unless a payment happens to fall within the subjective phrase "economically or functionally equivalent," which is not at all defined in the text. This phrase is open to interpretation that would dramatically narrow the prohibition and create significant opportunity for easy avoidance of this prohibition altogether, contrary to Congressional intent.
- *Broad, open-ended exemptions undermine the prohibition.* The narrow prohibition is further undercut by language in Subsection (c)(3) authorizing agencies to create broad exceptions that would permit crypto entities to continue offering yield or interest on payment stablecoins. Regulators are also free to add exceptions without guardrails or constraints.
    - Paragraph 3(A) authorizes the SEC, the CFTC, and the Treasury to create a *non-exhaustive* list of permissible activities for which interest or yield may be paid. This is an overly broad grant of authority that we urge Congress to strike, given the broad exceptions already set forth in the general prohibition. At a minimum, principles or limiting factors should be provided to guide regulators' implementation of this provision.
    - In particular, Paragraph (3)(A)(iii) would permit yield or interest to be offered in connection with "the use of *any* product or service," an exemption that would effectively nullify the general prohibition.
    - The prohibition in Paragraph (2)(B) on payments of interest or yield in connection with "a loyalty, promotional, subscription, or incentive program" is contradicted by authority provided in (3)(A)(iii) to permit, by regulation, payment of interest or yield for participation in a "loyalty, promotional, subscription, or incentive program." The text contradicts itself, using the same terminology.
    - Paragraph 3(B) provides that permissible payments "may be calculated by reference to a balance, duration, tenure, or any combination of the foregoing." This language encompasses the method by which banks calculate interest on deposits. This contradicts the plain language of the general prohibition on payments that are economically or

functionally equivalent to payment of interest or yield on bank deposits. It should be stricken from the text.

- *Enforcement framework must be strengthened to deter violations*. The prohibition must be accompanied by robust anti-evasion language, strong penalties for violations, and an effective enforcement mechanism. ICBA has strong concerns about the weak enforcement provisions of the current text. Specifically:
  - Paragraph (5)(A) would provide a 90-day cure period after a covered party has been found to violate the provisions of the statute or regulations. Ninety days is an unusually long cure period. Immediate compliance is appropriate.
  - Subsection (f)(1) limits the imposition of civil monetary penalties to those who have "knowingly and willfully" violated provisions of Section 404 or agency rules thereunder. This is a heightened standard which is inconsistent with civil monetary penalties set forth in the United States Code for enforcement of banking laws.[4] To provide consistency, the occurrence of and/or the impact of a violation should determine whether civil monetary penalties are imposed, not whether a violation was knowingly and willfully undertaken.
  - In addition, civil monetary penalties would be capped at $5 million, and separate acts of noncompliance would count as a single violation. We do not believe that these limited penalties would serve as an effective deterrent. Banking regulators can impose up to $1 million in penalties per day per violation and can impose penalties for each separate violation, act, or breach. Firms subject to Section 404 should be treated similarly.
  - An entity that violates the provisions of Section 404 would not be subject to enforcement actions by its primary regulator (SEC, CFTC). Rather, violations would be referred to the Treasury Department, which does not possess the experience, resources, knowledge, or expertise to administer enforcement in this area. Enforcement actions should be carried out by the entity's primary regulator, which would have expertise better suited to administering the prohibition in Section 404.

In summary, the prohibition on payments of interest or yield is narrow and ineffective, the broad exceptions and open-ended rulemaking authority would further undermine or contradict the general prohibition, and the enforcement framework is inadequate to deter violations. As a result, 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 community bank lending capacity that powers local economies.

We deeply appreciate the opportunity to provide ongoing feedback as this critical legislation has evolved. We remain ready and willing to constructively participate in the crafting of legislation that will promote financial innovation and maintain America's global leadership while protecting the availability

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[4] Banking agencies may impose civil money penalties for violations of law, regulation, or unsafe or unsound practices without needing to prove intent. (*See, e.g.,* Section 8(i)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)(2)). Conditioning penalties for stablecoin issuers on proof of knowing and willful misconduct would materially weaken supervisory authority relative to that applied to traditional banking institutions.

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,
/s/
Rebeca Romero Rainey
President & CEO

CC: Members of the United States Senate