

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), the undersigned state banking associations, and the thousands of community banks we represent, we write to offer our views on the CLARITY Act (H.R. 3633).

We share your 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. Without this, community banks would experience a significant loss of the deposits they use to create credit for America's Main Street economies. **The current text does not create a sufficiently strong prohibition on payment of interest and yield, and loopholes must be closed.**

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, or 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.

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 that could easily be exploited by crypto-entities.

For example, while the text prohibits payments that are "economically or functionally equivalent to payment of interest or yield on bank deposits," it also grants rulemaking authority to create an exception for "payments calculated by reference to a balance, duration, and tenure." This is no different than the method by which banks calculate interest on deposits. The rulemaking authority would effectively neuter the prohibition. We could cite additional examples of contradictory language and permissive exceptions. Together, they create an ambiguous prohibition on payment of interest or yield that is open to potential loopholes.

Section 404 also creates broad exceptions that undermine the general prohibition and authorizes open-ended rulemakings that would further weaken the prohibition and even contradict it. Additionally, the enforcement framework is too permissive and will not sufficiently deter violations and evasion.

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 you to fix the provisions of Section 404. 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

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

Maine Bankers Association
Massachusetts Bankers Association, Inc.
BankIn Minnesota
Missouri Independent Bankers Association
Nebraska Independent Community Bankers

New Jersey Bankers Association

Independent Bankers Association of New York
State

Independent Community Banks of North
Dakota

Community Bankers Association of Oklahoma

Pennsylvania Association of Community
Bankers

Independent Community Bankers of South
Dakota

Independent Bankers Association of Texas

Virginia Association of Community Banks

Community Bankers of West Virginia

Wyoming Bankers Association

Maryland Bankers Association

Community Bankers of Michigan

Mississippi Bankers Association

Montana Independent Bankers

Community Bankers Association of New
Hampshire

Independent Community Bankers Association
of New Mexico

North Carolina Bankers Association

Community Bankers Association of Ohio

Oregon Bankers Association

Independent Banks of South Carolina

Tennessee Bankers Association

Vermont Bankers Association, Inc.

Community Bankers of Washington

Wisconsin Bankers Association

CC: Members of the United States Senate