Lummis-Gillibrand Payment Stablecoin Act Highlights

Overview

- The *Lummis-Gillibrand Payment Stablecoin Act* solves key policy challenges that have lingered around previous House and Senate payment stablecoin proposals and provides prudential regulation and added consumer protections to payment stablecoin issuers.
- The bill authorizes state non-depository trust companies to issue payment stablecoins up to $10 billion, with limited-purpose state/OCC depository institutions authorized to issue any amount.

Dual Banking System

- This legislation preserves the dual banking system (parity of state/federal charters) as it is **today**, not by imposing new policy preferences on how **it should be**.
- States' current authority over non-depository trust companies is acknowledged and preserved (with no role for the OCC trust charter), a limited-purpose state/OCC payment stablecoin charter is authorized, and the Federal Reserve retains its role as the guardian of money creation in the U.S.
- The legislation grants the Federal Reserve **or** state/OCC the ability to take independent enforcement action against a depository institution issuer, but the Federal Reserve **and** State must act jointly for trust companies below $10 billion.
- Strong transitional provisions establish guardrails for existing issuers, and both the state and federal charters have exactly the same powers, with a federal floor.

Custody and Third-Party Risk Management

- Proper custody practices for issuers are essential, especially in light of FTX.
- The bill requires non-depository trust companies to use a sub-custodian that is a depository institution (like SEC Qualified Custody) for custody.
- Legislation imposes comprehensive third-party risk management on service providers (other than self-hosted wallets), and grants the Federal Reserve supervision authority, except when the service provider is already supervised by another federal or state financial regulator.

Receivership

- To give confidence in the ability of customers to get their money back if something goes wrong, a receivership regime is established under the FDIC for all payment stablecoin issuers including order of priority, validity of claims and classification of payment stablecoins as customer assets (not belonging to the issuer).