UNITED STATES SENATE COMMITTEE ON BANKING, HOUSING & URBAN AFFAIRS

U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

# Prohibiting Interest and Yield on Stablecoin Balances, Sec. 404

## THE CLARITY ACT

**TOPLINE:** Section 404 is a strong compromise that supports payment stablecoin innovation while addressing concerns about potential large-scale deposit movement. It prevents digital asset service providers (DASPs) from paying interest-like rewards simply for holding stablecoin balances, while preserving legitimate rewards tied to actual payment activity. It also prevents payment stablecoins from being marketed as FDIC-insured or as carrying the same protections as bank deposits.

**What it does:** The White House Council of Economic Advisers found that a broad stablecoin yield prohibition would have only a limited effect on bank lending under baseline assumptions, which underscores the need for a more targeted approach. Section 404 does just that by prohibiting covered DASPs and their affiliates from paying interest or yield to U.S. customers based solely on holding payment stablecoins or maintaining a stablecoin balance. It also addresses programs that are economically or functionally equivalent to interest on a bank deposit, even if described as rewards, loyalty points, promotions, or other incentives.

The language includes anti-evasion protections by applying to covered parties and affiliates and by prohibiting both direct and indirect payments. It also allows regulators to clarify permissible activity-based and transaction-based rewards through rulemaking, providing flexibility for legitimate incentives while preventing disguised yield on stablecoin balances.

Section 404 also includes clear marketing and disclosure protections. DASPs cannot market payment stablecoins as bank deposits, investment products, government-backed products or FDIC-insured products. They also cannot omit important facts in ads or promotions, and regulators must require plain-English disclosures so consumers understand any compensation tied to holding, using or keeping payment stablecoins.

**BOTTOM LINE:** Section 404 keeps payment stablecoins focused on payments and real-world use cases. It addresses deposit-flight concerns without cutting off legitimate rewards that support payment activity, competition, and responsible innovation.