ICBA Legislative Issues Committee Meeting

Discussion Issues / Questions

Stablecoins

Congress is deliberating legislation that would create a regulatory structure for stablecoin issuance by various banks and nonbanks. (See accompanying document that compares various legislative proposals as well as ICBA's letter to Congress regarding draft stablecoin legislation.) New bills embodying alternative regulatory approaches will continue to appear and could advance next Congress with bipartisan support from key members of Congress and the Administration. Many policymakers believe action is needed now to protect consumers and the financial system and provide regulatory clarity for issuers.

A key component of the discussions is what regulatory regime should be established for banks who want to issue stablecoins. To remain engaged in these discussions, ICBA needs to determine what form of regulatory framework we could support. We would like your input on the following questions:

- Would you consider issuing a stablecoin, and if so, what would the advantages be?
    - A revenue source?
    - Acquisition of new customers or retention of current customers?
    - Others advantages?
- What use cases do you foresee for stablecoins? Currently they are predominantly used in cryptocurrency trading. Do you have any customer demand for stablecoins or other crypto assets?
- If you were to issue a stablecoin, what kind of regulatory structure would you need? For example, the Water-McHenry draft requires bank stablecoins to be issued through a subsidiary. Would this requirement be prohibitive?
- What are your primary concerns about stablecoins?
    - Disintermediation?
    - Financial stability risks?
    - Illicit finance/use by bad actors?
    - Other?
- Some states (notably, WY, NY, CA) are beginning to authorize stablecoins issuers. What activities are you seeing in your states.

Community Bank Retained Earnings Tax Relief Proposal

- Legislation may be introduced this Congress that would create a partial tax exemption for a community bank's current-year retained earnings.
- Banks that predominantly serve rural or underserved areas would receive a higher exemption.
- In the case of an S corporation bank, shareholders would be allotted a pro rata amount of exempt retained earnings.
- This proposal would help community banks built capital to support more lending.

Questions

- Would this proposal change your retained earnings practices?
- How does your bank determine what portion of earnings to retain and what portion to distribute?

Community Reinvestment Act

- What are you doing to monitor the community's needs for CRA-eligible loan and investment opportunities?