Federal Banking Law Reporter, Sec. 5904, 12 U.S.C. Sec. 5904, Approval of subsidiaries of insured depository institutions and federal qualified payment stablecoin issuers

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5904(a) APPLICATION.—

5904(a)(1) IN GENERAL.—Each primary Federal payment stablecoin regulator shall—

5904(a)(1)(A) receive, review, and consider for approval applications from any insured depository institution that seeks to issue payment stablecoins through a subsidiary and any nonbank entity, Federal branch, or uninsured national bank that is chartered by the Comptroller pursuant to title LXII of the Revised Statutes, and that seeks to issue payment stablecoins as a Federal qualified payment stablecoin issuer; and

5904(a)(1)(B) establish a process and framework for the licensing, regulation, examination, and supervision of such entities that prioritizes the safety and soundness of such entities.

5904(a)(2) AUTHORITY TO ISSUE REGULATIONS AND PROCESS APPLICATIONS.—The primary Federal payment stablecoin regulators shall, before the date described in section 13—

5904(a)(2)(A) issue regulations consistent with that section to carry out this section; and

5904(a)(2)(B) pursuant to the regulations described in subparagraph (A), accept and process applications described in paragraph (1).

5904(a)(3) MANDATORY APPROVAL PROCESS.—A primary Federal payment stablecoin regulator shall, upon receipt of a substantially complete application received under paragraph (1), evaluate and make a determination on each application based on the criteria established under this Act.

5904(b) EVALUATION OF APPLICATIONS.—A substantially complete application received under subsection (a) shall be evaluated by the primary Federal payment stablecoin regulator using the factors described in subsection (c).

5904(c) FACTORS TO BE CONSIDERED.—The factors described in this subsection are the following:

5904(c)(1) The ability of the applicant (or, in the case of an applicant that is an insured depository institution, the subsidiary of the applicant), based on financial condition and resources, to meet the requirements set forth under section 4.

5904(c)(2) Whether an individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud is serving as an officer or director of the applicant.

5904(c)(3) The competence, experience, and integrity of the officers, directors, and principal shareholders of the applicant, its subsidiaries, and parent company, including—

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5904(c)(3)(A) the record of those officers, directors, and principal shareholders of compliance with laws and regulations; and

5904(c)(3)(B) the ability of those officers, directors, and principal shareholders to fulfill any commitments to, and any conditions imposed by, their primary Federal payment stablecoin regulator in connection with the application at issue and any prior applications.

5904(c)(4) Whether the redemption policy of the applicant meets the standards under section 4(a)(1)(B).

5904(c)(5) Any other factors established by the primary Federal payment stablecoin regulator that are necessary to ensure the safety and soundness of the permitted payment stablecoin issuer.

5904(d) TIMING FOR DECISION; GROUNDS FOR DENIAL.—

5904(d)(1) TIMING FOR DECISIONS ON APPLICATIONS.—

5904(d)(1)(A) IN GENERAL.—Not later than 120 days after receiving a substantially complete application under subsection (a), a primary Federal payment stablecoin regulator shall render a decision on the application.

5904(d)(1)(B) SUBSTANTIALLY COMPLETE.—

5904(d)(1)(B)(i) IN GENERAL.—For purposes of subparagraph (A), an application shall be considered substantially complete if the application contains sufficient information for the primary Federal payment stablecoin regulator to render a decision on whether the applicant satisfies the factors described in subsection (c).

5904(d)(1)(B)(ii) NOTIFICATION.—Not later than 30 days after receiving an application under subsection (a), a primary Federal payment stablecoin regulator shall notify the applicant as to whether the primary Federal payment stablecoin regulator considers the application to be substantially complete and, if the application is not substantially complete, the additional information the applicant shall provide in order for the application to be considered substantially complete.

5904(d)(1)(B)(iii) MATERIAL CHANGE IN CIRCUMSTANCES.—An application considered substantially complete under this subparagraph remains substantially complete unless there is a material change in circumstances that requires the primary Federal payment stablecoin regulator to treat the application as a new application.

5904(d)(2) DENIAL OF APPLICATION.—

5904(d)(2)(A) GROUNDS FOR DENIAL.—

5904(d)(2)(A)(i) IN GENERAL.—A primary Federal payment stablecoin regulator shall only deny a substantially complete application received under subsection (a) if the regulator determines that the activities of the applicant would be unsafe or unsound based on the factors described in subsection (c).

5904(d)(2)(A)(ii) ISSUANCE ON OPEN, PUBLIC, OR DECENTRALIZED NETWORK NOT GROUND FOR DENIAL.—The issuance of a payment stablecoin on an open, public, or decentralized network shall not be a valid ground for denial of an application received under subsection (a).

5904(d)(2)(B) EXPLANATION REQUIRED.—If a primary Federal payment stablecoin regulator denies a complete application received under subsection (a), not later than 30 days after the date of such denial, the regulator shall provide the applicant with written notice explaining the denial with specificity,

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including all findings made by the regulator with respect to all identified material shortcomings in the application, including actionable recommendations on how the applicant could address the identified material shortcomings.

5904(d)(2)(C) OPPORTUNITY FOR HEARING; FINAL DETERMINATION.—

5904(d)(2)(C)(i) IN GENERAL.—Not later than 30 days after the date of receipt of any notice of the denial of an application under this section, the applicant may request, in writing, an opportunity for a written or oral hearing before the primary Federal payment stablecoin regulator to appeal the denial.

5904(d)(2)(C)(ii) TIMING.—Upon receipt of a timely request under clause (i), the primary Federal payment stablecoin regulator shall notice a time (not later than 30 days after the date of receipt of the request) and place at which the applicant may appear, personally or through counsel, to submit written materials or provide oral testimony and oral argument.

5904(d)(2)(C)(iii) FINAL DETERMINATION.—Not later than 60 days after the date of a hearing under this subparagraph, the applicable primary Federal payment stablecoin regulator shall notify the applicant of a final determination, which shall contain a statement of the basis for that determination, with specific findings.

5904(d)(2)(C)(iv) NOTICE IF NO HEARING.—If an applicant does not make a timely request for a hearing under this subparagraph, the primary Federal payment stablecoin regulator shall notify the applicant, not later than 10 days after the date by which the applicant may request a hearing under this subparagraph, in writing, that the denial of the application is a final determination of the primary Federal payment stablecoin regulator.

5904(d)(3) FAILURE TO RENDER A DECISION.—If a primary Federal payment stablecoin regulator fails to render a decision on a complete application within the time period specified in paragraph (1), the application shall be deemed approved.

5904(d)(4) RIGHT TO REAPPLY.—The denial of an application under this section shall not prohibit the applicant from filing a subsequent application.

5904(e) REPORTS ON PENDING APPLICATIONS.—Each primary Federal payment stablecoin regulator shall—

5904(e)(1) notify Congress upon beginning to process applications under this Act; and

5904(e)(2) annually report to Congress on the applications that have been pending for 180 days or more since the date the initial application was filed and for which the applicant has been informed that the application remains incomplete, including documentation on the status of such applications and why such applications have not yet been approved.

5904(f) SAFE HARBOR FOR PENDING APPLICATIONS.—The primary Federal payment stablecoin regulators may waive the application of the requirements of this Act for a period not to exceed 12 months beginning on the effective date of this Act, with respect to—

5904(f)(1) a subsidiary of an insured depository institution, if the insured depository institution has an application pending for the subsidiary to become a permitted payment stablecoin issuer on that effective date; or

5904(f)(2) a Federal qualified payment stablecoin issuer with a pending application on that effective date.

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5904(g) RULEMAKING.—Consistent with section 13, the primary Federal payment stablecoin regulators shall issue rules necessary for the regulation of the issuance of payment stablecoins, but may not impose requirements in addition to the requirements specified under section 4.

5904(h) RELATION TO OTHER LICENSING REQUIREMENTS.—The provisions of this section supersede and preempt any State requirement for a charter, license, or other authorization to do business with respect to a Federal qualified payment stablecoin issuer or subsidiary of an insured depository institution or credit union that is approved under this section to be a permitted payment stablecoin issuer. Nothing in this subsection shall preempt or supersede the authority of a State to charter, license, supervise, or regulate an insured depository institution or credit union chartered in such State or to supervise a subsidiary of such insured depository institution or credit union that is approved under this section to be a permitted payment stablecoin issuer.

5904(i) CERTIFICATION REQUIRED.—

5904(i)(1) IN GENERAL.—Not later than 180 days after the approval of an application, and on an annual basis thereafter, each permitted payment stablecoin issuer shall submit to its primary Federal payment stablecoin regulator, or in the case of a State qualified payment stablecoin issuer its State payment stablecoin regulator, a certification that the issuer has implemented anti-money laundering and economic sanctions compliance programs that are reasonably designed to prevent the permitted payment stablecoin issuer from facilitating money laundering, in particular, facilitating money laundering for cartels and organizations designated as foreign terrorist organizations under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189) and the financing of terrorist activities, consistent with the requirements of this Act.

5904(i)(2) AVAILABILITY OF CERTIFICATIONS.—Federal payment stablecoin regulators and State payment stablecoin regulators shall make certifications described in paragraph (1) available to the Secretary of Treasury upon request.

5904(i)(3) PENALTIES.—

5904(i)(3)(A) APPROVAL REVOCATION.—The primary Federal payment stablecoin regulator or State payment stablecoin regulator of a permitted payment stablecoin issuer that does not submit a certification pursuant to paragraph (1) may revoke the approval of the payment stablecoin issuer under this section.

5904(i)(3)(B) CRIMINAL PENALTY.—

5904(i)(3)(B)(i) IN GENERAL.—Any person that knowingly submits a certification pursuant to paragraph (1) that is false shall be subject to the criminal penalties set forth under section 1001 of title 18, United States Code.

5904(i)(3)(B)(ii) REFERRAL TO ATTORNEY GENERAL.—If a Federal payment stablecoin regulator or State payment stablecoin regulator has reason to believe that any person has knowingly violated paragraph (1), the applicable regulator may refer the matter to the Attorney General or to the attorney general of the payment stablecoin issuer's host State.

History: Sec. 5 of Act of July 18, 2025 (Guiding and Establishing National Innovation for U.S. Stablecoins Act), Public Law 119-27, 139 Stat. 419; 12 U.S. Code 5904.

.007 Effective Dates

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Section effective on the earlier of the date that is 18 months after July 18, 2025, or the date that is 120 days after the date on which the primary Federal payment stablecoin regulators issue any final regulations implementing Pub. L. 119-27, see section 20 of Pub. L. 119-27, set out as a note under section 5901 of this title.

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