SYNOPSIS:

This bill would prohibit a person from issuing certain digital assets known as a payment stablecoins in the state unless the person is licensed as a permitted payment stablecoin issuer.

This bill would authorize the Alabama Securities Commission to process and license applicants to become Alabama qualified payment stablecoin issuers.

This bill would authorize the Alabama Securities Commission to implement and administer this act, and implement the federal Guiding and Establishing National Innovation for U.S. Stablecoins Act and any regulation adopted pursuant to that act.

Beginning in 2028, this bill would prohibit the offer or sale of a payment stablecoin that is not issued by a permitted payment stablecoin issuer.

This bill would also create civil and criminal penalties for violations of this act.

A BILL

TO BE ENTITLED

AN ACT

Relating to cryptocurrency; to add a new Chapter 7B to

Title 8, Code of Alabama 1975; to prohibit a person from issuing digital assets as a payment stablecoin unless that person is a permitted payment stablecoin issuer; to prohibit the offer or sale of any payment stablecoin, beginning in 2028, unless the payment stablecoin is issued by a permitted payment stablecoin issuer; to authorize the Alabama Securities Commission to process and license applicants to become Alabama qualified payment stablecoin issuers; to authorize the Alabama Securities Commission to enforce and implement this act, the GENIUS Act, and any federal regulation adopted under that act; and to create civil and criminal penalties for violations.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Chapter 7B, commencing with Section 8-7B-1, is added to Title 8, Code of Alabama 1975, to read as follows:

Chapter 7B

§8-7B-1

(a) This chapter shall be known and may be cited as the Financial Innovation and Market Expansion Act.

(b) The intent of this chapter is to implement Section 4(c) of the federal Guiding and Establishing National Innovation for U.S. Stablecoins Act, 12 U.S.C. § 5903(c), governing regulation of payment stablecoins at the state level.

§8-7B-2

For the purposes of this act, the following terms have the following meanings:

(1) ALABAMA QUALIFIED PAYMENT STABLECOIN ISSUER. A stablecoin issuer licensed and approved by the commission

through the licensing process in Section 8-7B-5.

(2) AUTHORIZED PAYMENT STABLECOIN. A payment stablecoin issued by an Alabama qualified payment stablecoin issuer.

(3) COMMISSION. The Alabama Securities Commission.

(4) COMPTROLLER. The Office of the Comptroller of the Currency.

(5) DIGITAL ASSET SERVICE PROVIDER. A person that, in the United States and for compensation or profit, engages in the business of exchanging digital assets for monetary value, exchanging digital assets for other digital assets, transferring digital assets to a third party, acting as a digital asset custodian, or participating in financial services relating to digital asset insurance. The term does not include a person that engages in the business of developing or operating distributed ledger protocols, self-custodial software interfaces, or validating transactions through a distributed ledger. The term does not include a person that participates in a liquidity poll or other similar mechanism for the provisioning of liquidity for peer-to-peer transactions.

(6) GENIUS ACT. The Guiding and Establishing National Innovation for U.S. Stablecoins Act, 12 U.S.C. §§ 5901-5916.

(7) GOVERNMENTAL ENTITY. Any state or local agency or instrumentality thereof located in the state.

(8) INTENTIONALLY. A person acts intentionally with respect to a result or to conduct described by a statute defining an offense, when his or her purpose is to cause that result or to engage in that conduct.

(9) KNOWINGLY. A person acts knowingly with respect to conduct or to a circumstance described by a statute defining an offense when he or she is aware that his or her conduct is of that nature or that the circumstance exists.

(10) OPEN, PUBLIC, OR DECENTRALIZED NETWORK. A blockchain network that is open to use by the public without permission of use by governing authorities or a network that is operated using distributed ledger technology, where the data is stored in separate physical locations.

(11) PAYMENT STABLECOIN. A digital asset or assets designed to maintain a stable value that is, or is designed to be, used as a means of payment or settlement. The issuer of the token:

a. Is obligated to convert, redeem, or repurchase the token for a fixed amount of monetary value; and

b. Represents, or creates the reasonable expectation, that the token will maintain a stable value relative to the value of a fixed amount of monetary value.

(12) PERMITTED PAYMENT STABLECOIN ISSUER. A person formed in the United States that is one of the following:

a. A subsidiary of an insured depository institution that has been approved to issue payment stablecoins under Section 5 of the GENIUS Act, 12 U.S.C. § 5904.

b. A nonbank entity approved by the comptroller, pursuant to Section 5 of the GENIUS Act, 12 U.S.C. § 5904, to issue payment stablecoins.

c. An uninsured national bank that is chartered by the comptroller and is approved by the comptroller, pursuant to

Section 5 of the GENIUS Act, 12 U.S.C. § 5904, to issue payment stablecoins.

d. A federal branch that is approved by the comptroller, pursuant to Section 5 of the GENIUS Act, 12 U.S.C. § 5904, to issue payment stablecoins.

e. An entity legally established under the laws of a state and approved to issue payment stablecoins by a state payment stablecoin regulator, including Alabama qualified payment stablecoin issuers.

§8-7B-3

(a) No person may issue a payment stablecoin in the state, unless that person is a permitted payment stablecoin issuer.

(b) Beginning on July 18, 2028, no digital asset service provider may offer or sell a payment stablecoin to a person in the state, unless the payment stablecoin is issued by a permitted payment stablecoin issuer.

(c) This section shall not apply to the following transactions:

(1) Any direct transfer of payment stablecoin between two individuals, each acting on his or her own behalf and for his or her own lawful purposes, without the involvement of an intermediary.

(2) Any transaction involving the receipt of payment stablecoin by an individual between an account owned by the individual in the United States and an account owned by the individual abroad which are offered by the same parent company.

(3) Any transaction by means of a software or hardware wallet that facilitates an individual's own custody of payment stablecoin.

(d) Notwithstanding any provision of this chapter to the contrary, any determination regarding banking activities shall be the sole authority of the Alabama State Banking Department pursuant to Title 5.

§8-7B-4

(a)(1) The commission shall receive, review, and consider for approval applications from any person that seeks to issue or sell payment stablecoins as an Alabama qualified payment stablecoin issuer, and the commission shall establish a process and framework for the licensing, regulation, examination, and supervision of such entities, through the adoption of rules pursuant to Section 8-7B-8.

(2) The commission, upon receipt of a substantially complete application received under subdivision (1), shall evaluate and make a determination on each application based only on the criteria established under this chapter, and rules adopted pursuant to this chapter.

(b) The commission shall consider the following factors when determining whether an applicant, who submitted a substantially complete application, shall be licensed as an Alabama qualified payment stablecoin issuer:

(1) The ability of the applicant, based on the applicant's financial condition and resources, to meet the requirements set forth under 12 U.S.C. § 5903.

(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.

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

a. The record of those officers, directors, and principal shareholders of compliance with laws and regulations; and

b. The ability of those officers, directors, and principal shareholders to fulfill any commitments to, and any conditions imposed by, the commission in connection with the application at issue and any prior applications.

(4) Whether the redemption policy of the applicant meets the standards under 12 U.S.C. § 5903.

(5) Any other factors established under federal regulations pursuant to the GENIUS Act or rules adopted pursuant to this chapter which are necessary to ensure the safety and soundness of the Alabama qualified payment stablecoin issuer.

(c) The commission shall render a decision on a substantially complete application submitted under subsection (a) no later than 120 days after receipt of the application.

(d)(1) For purposes of this section an application shall be considered substantially complete if the application contains sufficient information for the commission to render a decision on whether the applicant satisfies the factors described in subsection (a).

(2) No later than 30 days after receiving any application, the commission shall notify the applicant as to whether the commission considers the application to be substantially complete and, if the application is not substantially complete, the additional information the applicant must provide in order for the application to be considered substantially complete.

(3) An application considered substantially complete under this subsection shall remain substantially complete unless there is a material change in circumstances that requires the commission to treat the application as a new application.

(e)(1) The commission may only deny a substantially complete application received if the commission determines that the activities of the applicant would include any conduct that would authorize the commission to suspend or revoke a license under Section 8-7B-9(a).

(2) The issuance of a payment stablecoin on an open, public, or decentralized network shall not be a valid ground for denial of an application.

(f) If the commission denies a substantially complete application received under subsection (a), the commission no later than 30 days after the date of denial, shall provide the applicant with written notice explaining the denial with specificity, including all findings made by the commission with respect to all identified material shortcomings in the application, including actionable recommendations on how the applicant could address the identified material shortcomings.

(g) The denial of an application under subsection (e) shall not prohibit the applicant from filing any subsequent application.

§8-7B-5

A provider is not required to obtain any other license or charter, except for the requirement under this chapter, to perform the activities permitted in Section 8-7B-3.

§8-7B-6

No later than 180 days after the approval of an application, and afterwards on an annual basis, each Alabama qualified payment stablecoin issuer shall submit to the commission a certification that the issuer has implemented anti-money laundering and economic sanctions compliance programs that are reasonably designed to prevent the Alabama qualified payment stablecoin issuer from facilitating money laundering, in particular, facilitating money laundering for cartels and organizations designated as foreign terrorist organizations under 8 U.S.C. § 1189 and the financing of terrorist activities, consistent with the requirements of the GENIUS Act.

§8-7B-7

(a) An Alabama qualified payment stablecoin issuer shall comply with 12 U.S.C. § 5902(a) and any regulations adopted by federal governmental entities implementing the GENIUS Act.

(b) The commission, through the adoption of rules pursuant to Section 8-7B-8 or other means of notice, shall identify the federal laws and regulations applicable to Alabama qualified payment stablecoin issuers. The commission shall ensure that the minimum federal requirements apply to all Alabama qualified payment stablecoin issuers in the state.

§8-7B-8

(a)(1) The commission shall adopt rules to administer and implement this chapter. These rules may include provisions that govern the recovery of the cost of administering and enforcing this chapter by imposing and collecting fees, fines, penalties, and costs associated with applications, examinations, investigations, and other actions required to implement this chapter.

(2) The rules adopted under subsection (a) shall include the following:

a. The establishment of a secure system for processing payments made using payment stablecoins.

b. The technical integration of payment stablecoin payment systems with state accounting and payment systems.

c. Security and fraud prevention measures.

d. The creation of educational material regarding the use of payment stablecoins.

(b) The commission may conduct an examination or investigation of an Alabama qualified payment stablecoin issuer or otherwise take action authorized by this chapter or by a rule adopted or order issued under this chapter as reasonably necessary or appropriate to administer and implement this chapter, federal regulations implementing the GENIUS Act, and other applicable state and federal law. In performing the examination or investigation, the commission may:

(1) Conduct an on-site or off-site examination of the Alabama qualified payment stablecoin issuer as the commission may reasonably require;

(2) Conduct an examination in conjunction with other state agencies or federal government agencies;

(3) Accept the examination report of another state agency or federal government agency, or a report prepared by an independent accounting firm, which, upon being accepted by the commission, shall be considered an official report of the commission; and

(4) Summon and examine, under oath, individuals or employees of an Alabama qualified payment stablecoin issuer and require the individuals to produce records regarding any matter related to the condition and business of the licensee or an agent of the licensee.

(c) An Alabama qualified payment stablecoin issuer shall provide, and the commission shall have full and complete access to, all records the commission may reasonably require to conduct an examination. The records must be provided at the location and in the format specified by the commission, provided the commission may utilize multistate record production standards and examination procedures when such standards will reasonably achieve the requirements of this section.

(d) Unless otherwise directed by the commission, a licensee shall pay all costs reasonably incurred in connection with an examination of the licensee or the licensee's authorized delegates.

(e) Information obtained during any examination under this chapter may be disclosed only as prescribed in Section 8-7B-15.

(f) In the course of an examination or investigation under subsection (b), the commission may do any of the following:

(1) Make such public or private investigations within or outside of this state as it deems necessary to determine whether: (i) any license under this chapter should be granted, denied, suspended, or revoked; (ii) any person has violated or is about to violate any provision of this chapter or any rule or order issued under this chapter; or (iii) any enforcement measures are necessary to be imposed on an Alabama qualified payment stablecoin issuer under this chapter.

(2) Require or permit any person to file a statement in writing, under oath, or otherwise as the commission may determine, as to all the facts and circumstances concerning the matter to be investigated.

(3) Publish information concerning any violation of this chapter or any rule or order adopted or issued under this chapter.

(4) Administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, agreements, or other documents or records which the commission deems relevant to the inquiry.

(g) In case of refusal to obey a subpoena, upon application by the commission, the Circuit Court of Montgomery County may issue an order to the person failing to obey the subpoena requiring the individual to appear before the commission or the officer designated by it, to produce documentary evidence if so ordered, or to give evidence touching the matter under investigation or in question. The court may hold any person who fails to obey an order of the court in contempt of court.

(h) No person is excused from attending and testifying or from producing any document or record before the commission or any officer designated by it, in any proceeding instituted by the commission, on the ground that the testimony or evidence, documentary or otherwise, required of the person may tend to incriminate him or her or subject him or her to a penalty or forfeiture. No individual may be prosecuted or subjected to any penalty or forfeiture using or based on information he or she offered after asserting such privilege, except that the individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying. Nothing in this section shall prohibit the commission from prosecuting any person compelled to testify or provide evidence, if the commission has sufficient evidence, derived from other sources not discovered, derived, or revealed from such compelled testimony or evidence, to sustain a prosecution for a violation under this chapter.

(i) The commission may prescribe additional enforcement procedures under subsection (a) to ensure compliance with the

GENIUS Act.

(j) The commission shall submit an annual report to the Legislature which shall include the current list of authorized payment stablecoins, the volume of transactions and cost savings, assessment of risks and safeguards, and any recommendations for legislative changes. The report shall be made publicly available on the commission's website.

(k) This chapter shall not apply to an Alabama qualified payment stablecoin issuer to the extent that federal law precludes or preempts or has been determined to preclude or preempt the application of the provisions of this chapter to any Alabama qualified payment stablecoin issuer.

(l) In addition to any other exempt positions as otherwise allowed by law, the exempt positions in the commission shall include up to three highly trained, highly specialized securities professionals.

§8-7B-9

(a) The commission may suspend or revoke a license if the Alabama qualified payment stablecoin issuer:

(1) Violates this chapter or a rule adopted or an order issued under this chapter;

(2) Does not cooperate with an examination or investigation by the commission;

(3) Engages in fraud, intentional misrepresentation, or gross negligence;

(4) The competence, experience, character, or general fitness of the issuer, person in control of an issuer, key individual, or responsible individual of the authorized

delegate indicates that it is not in the public interest to permit the issuer to issue a payment stablecoin;

(5) Engages in an unsafe or unsound practice; or

(6) Is insolvent, suspends payment of its obligations, or makes a general assignment for the benefit of its creditors.

(b) In determining the severity of the violation, the commission may consider the size and condition of the issuer's payment stablecoin issuance, the magnitude of the loss, the gravity of the violation of this chapter, and the previous conduct of the person involved.

§8-7B-10

(a) If the commission determines that any person has engaged in or is about to engage in any act or practice constituting a violation of this chapter or a rule adopted or an order issued under this chapter, the commission, in its discretion, may do any of the following:

(1) Issue an order, with or without a prior hearing or notice, against the person or persons engaged in the act or practice, directing them to cease and desist from engaging in the act or practice.

(2) Issue an order appointing a receiver or conservator over a respondent or the respondent's assets.

(3) Order restitution or disgorgement against any person who has violated this chapter or any rule adopted or order issued pursuant to this chapter.

(4) Bring an action in the Circuit Court of Montgomery County to enjoin an action or practice and to enforce

compliance with this chapter or any rule adopted or order issued pursuant to this chapter. Upon a proper showing, the court may issue a temporary restraining order or permanently enjoin any unlawful act or practice.

(b) The commission shall not be required to post a bond for any actions taken pursuant to subsection (a).

§8-7B-11

(a) Any person aggrieved by an order or denial issued under this chapter shall be entitled to a hearing, as authorized for contested cases, pursuant to the Alabama Administrative Procedure Act, Chapter 22 of Title 41, if the aggrieved person, within 28 days after delivery of the order or denial, submits a written request for a hearing before the commission. The order shall disclose the right to a hearing upon written request within 28 days after delivery of the order. If no timely request for a hearing is made, the order shall constitute a final order of the commission.

(b) Any appeal from any final order of the commission shall be made to the Circuit Court of Montgomery County and shall be governed by the provisions of the Alabama Administrative Procedure Act, Chapter 22 of Title 41, pertaining to judicial review.

§8-7B-12

The commission may enter into a consent order at any time with a person to resolve a matter arising under this chapter or a rule adopted or order issued under this chapter. A consent order must be signed by the person to whom it is issued or by the person's authorized representative, and must indicate agreement with the terms contained in the order.

§8-7B-13

(a) It is unlawful for any person, in connection with the offer, sale, or purchase of any stablecoin, directly or indirectly, to knowingly:

(1) Employ any device, scheme, or artifice to defraud a person;

(2) Make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made not misleading in the light of the circumstances under which they are made; or

(3) Engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person.

(b)(1) A person that knowingly violates subsection (a) shall be guilty of a Class B felony.

(2) The limitations period for any prosecution under this section does not commence or begin to accrue until the discovery of the facts constituting the deception, after which the prosecution shall be commenced within five years.

(c) A person that intentionally makes a false statement, misrepresentation, or false certification in a record filed or required to be maintained under this chapter or intentionally makes a false entry or omits a material entry in such a record is guilty of a Class C felony.

(d) A person that intentionally engages in an activity for which a license is required under this chapter without being licensed under this chapter and who receives more than five thousand dollars ($5,000) in compensation within a 30-day period from this activity is guilty of a Class C felony.

(e) A person that intentionally engages in an activity for which a license is required under this chapter without being licensed under this chapter and who receives five thousand dollars ($5,000) or less in compensation within a 30-day period from this activity is guilty of a Class D felony.

(f) The enforcement of this chapter shall be vested in the commission. It is the duty of the commission to enforce this chapter and to investigate, prevent, and detect violations of this chapter. The commission is vested with the rights, privileges, and powers conferred by law upon district attorneys, including the power to appear before grand juries and to interrogate witnesses before such grand jury. A district attorney may empower the commission to proceed on his or her behalf in any proceeding under this chapter.

(g) In any proceeding under this chapter, intent or knowledge need not be alleged and proved in prosecutions of violations involving unlicensed issuers.

(h) A proceeding under this chapter shall not preempt or foreclose any criminal action or liability which may arise under any other criminal provision.

§8-7B-14

(a) The commission may assess a civil penalty against a person that violates this chapter or a rule adopted or an order issued under this chapter in an amount not to exceed one hundred thousand dollars ($100,000) per day for each day the violation is outstanding, plus the state's costs and expenses for the investigation and prosecution of the matter, including reasonable attorney fees. All assessments collected under this section shall be deposited in the State General Fund.

(b) The commission may assess an administrative charge for the actual cost of any investigation resulting from any violation of this chapter, a violation of any rule or order issued under this chapter, or the cost of any examination made by the commission pursuant to this chapter, to the person or persons subject to the investigation or examination. All charges assessed for costs shall be deposited in the Alabama Securities Commission Fund in the State Treasury to be drawn upon by the commission for its use in the administration of this chapter.

(c) For the purposes of determining the amount or extent of an administrative assessment, if any, to be imposed under this section, the commission shall consider among other factors, the frequency, persistence, and willfulness of the conduct constituting a violation of any provision of this chapter or any rule or order issued under this chapter, and the number of persons adversely affected by the conduct.

(d) The administrative assessment under this section is in addition to any other penalty, remedy, or sanction that may be imposed under this chapter.

§8-7B-15

(a) Except as otherwise provided in subsection (b), all information or reports obtained by the commission from the applicant, licensee, or authorized delegate and all information contained in or related to examination, investigation, operation, or condition reports prepared by, or on behalf of, or for the use of the commission, are confidential and are not subject to disclosure under Article 3 of Chapter 12, Title 36.

(b) The commission may disclose information not otherwise subject to disclosure under subsection (a) to representatives of state and federal agencies, provided the agencies submit an undertaking to maintain the confidentiality of the information in a record.

(c) This section shall not prohibit the commission from disclosing to the public a list of persons licensed under this chapter or the aggregated financial data concerning those licensees.

§8-7B-16

In any insolvency proceeding of an Alabama qualified payment stablecoin issuer, including any insolvency proceeding administered by the commission, the following shall apply:

(1) The claim of a person holding any payment stablecoin issued by the Alabama qualified payment stablecoin issuer shall have priority, on a ratable basis with the claims of other persons holding the payment stablecoin, over the claims of the Alabama qualified payment stablecoin issuer and any other holder of claims against the Alabama qualified payment stablecoin issuer, with respect to required payment stablecoin reserves.

(2) Notwithstanding any other provision of law, any person holding a payment stablecoin issued by the Alabama

qualified payment stablecoin issuer shall be deemed to hold a claim.

(3) The priority under subdivision (1) shall not apply to claims other than those arising directly from the holding of payment stablecoins.

Section 2. This act shall become effective on October 1, 2026.