

One Hundred Seventh Legislature - First Session - 2021

Introducer's Statement of Intent

LB649

Chairperson: Senator Matt Williams

Committee: Banking, Commerce and Insurance

Date of Hearing: February 23, 2021

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB649 provides for the adoption of the Nebraska Financial Innovation Act to establish digital asset depository institutions as a new financial institution to be supervised by the Nebraska Department of Banking and Finance.

As financial transactions become decoupled and decentralized, a great opportunity exists for Nebraska to leap to the forefront of financial innovation. Digital assets and the digital economy are now mainstream, with participation of notable companies such as JPMorgan/Chase, American Express, Fidelity, Mass Mutual, Morgan Stanley, PayPal and Square. The Nebraska Financial Innovation Act will create high-paying jobs in Nebraska and give existing Nebraska businesses a leg up in this emerging reality.

As with all economic development efforts, timing is critical as many people and businesses are rethinking where they want to live, raise their family, and grow a business. Companies across Nebraska, the United States and the world are operating in an increasingly global economy – and Nebraska has the chance to capitalize on this opportunity by passing legislation to recruit digital asset companies to invest and grow here.

The act provides these through the following provisions:

- Establish procedures for incorporation, chartering, operation, regulation, liquidation, conservatorship and voluntary dissolution of digital asset depository institutions;
- Prohibit lending of fiat currency by digital depository financial institution;
- Provide for regulation and examination by the Nebraska Department of Banking and Finance;
- Require principal operating headquarters and office of chief executive officer in Nebraska;
- Allow digital asset depositories to be held by a bank holding company and allow existing bank investment in a digital asset depository institution;

- Specify compliance with applicable federal laws (including Know Your Customer, Beneficial Ownership, Bank Secrecy Act and Anti-Money Laundering) and require operation in a safe and sound manner to benefit its customers;
- Require notice that deposits and accounts are not insured by the Federal Deposit Insurance Corporation, if applicable.
- Require minimum capital of five-million dollars;
- Require a surety bond or pledged investment(s) and specified private insurance; and
- Authorize digital asset depository institutions to obtain federal deposit insurance, if available.

Principal Introducer: _____

Senator Michael Flood