

The Nebraska Department of Banking and Finance (“Department”) recently announced the hearing date for the first Nebraska Financial Innovation Act (“Act”) charter application. The Act became law in Nebraska in 2021 and created a “digital asset depository” which was also authorized to use the words “digital asset bank” (Neb. Rev. Stat. § S8-3019(1)(g)).

The Act is unique in that it ensures that the digital asset depository charter is a complement to our banking system and not a competitor. Accordingly, a digital asset depository charter could be either a risk separated division within an existing state-chartered bank or a free-standing institution. Because of this unique option within the chartering process, I will refer to “them” collectively as Nebraska Innovative Charters or NICs. While trust companies, money transmitters, and other charters/licenses in Nebraska have variations of custodial authority, as does the NIC, the unique offering of the NIC is the statutory authority to issue a stablecoin. This type of Nebraska financial institution creates a conversation relative to “on us” clearing of stablecoins, which brings into banking a new payment rail. In the interest of brevity, the Department will periodically address 4 questions which will be posted on the Department’s website and referenced in social media. Please call the Department directly at 402-471-2171 and ask for Kelly Lammers, Christopher German, Alex Thorson, or William Lawrence if you have specific questions or email the Department at dob.digitalassets@nebraska.gov.

#1) Q: Will this Digital Bank crowd out traditional banking?

A: NO -- The NIC is prohibited from traditional lending and demand deposit payments to third parties. A NIC is not a traditional bank, nor it is envisioned that it will compete with a traditional bank. (Neb. Rev. Stat. § 8-3005 (2)(b)).

#2) Q: What is a NIC issued stablecoin?

A: According to Nebraska law a NIC issued stablecoin looks very similar to an electronic check that is both issued and payable by the NIC. Neb. Rev. Stat. § 8-3003(19) identifies stablecoin and Neb. Rev. Stat. § 8-3009 requires the funding for the stablecoin to be a NIC asset. The “flow” of funds is similar to a bank booking of a customer deposit of funds; where in a traditional bank the deposited funds are used to purchase bank assets and the customer is given a check book or debit card. NICs also accepts customer funds and the funds flow through to purchase select assets on the NICs balance sheet. However, the NIC cannot issue the debit card or the checking account, but in place of the checking account, the NIC issues stablecoin; thus, potentially creating a new type of payment token.

#3) Q: Who will examine a NIC?

A: The Department will have a dedicated examiner presence in a continuous examination (big bank) focus. The examination will periodically consider NIC GL balance sheet, external audits, as well as compliance. Activities will include review of policies and procedures to prevent money laundering, compliance with know your customer protocols, appropriate federal transaction reporting and other standard banking practices. The examiner will periodically produce a confidential report of examination shared with the NIC and potentially other regulators. If the NIC wishes to apply for membership with the Federal Reserve Bank or obtain FDIC insurance, such options would change supervisory participation. Additionally, while not a routine schedule, it is possible the NDBF would work jointly in CFBP or FinCEN examinations, in accordance with Neb. Rev. Stat. §§ 8-3007; 8-3008; and 8-3011.

#4) Q: Will a NIC complete call reports?

A: Yes, a daily report of key general ledger and distributed ledger numbers will be reported to the Department, and the NICs will also be required to complete and provide a traditional bank quarterly call report. The quarterly call report will be displayed on the Department's web site [Neb. Rev. Stat. §8-3023\(1\)](#).