



STABLECOIN REGULATION DRAFT

Regulation 004-22

Adopted by the Zone Authority Commission
[Date of Adoption]

PREAMBLE

1. Whereas Green Earth Zone is the legal name of the Catawba Digital Economic Zone;
2. Whereas the Green Earth Zone aims to offer all engaged in peaceful trade a safe haven for legal digital commerce;
3. Whereas existing regulations designed for traditional transactions are not optimally suited for the advent of technically innovative forms of commerce;
4. Whereas Stablecoins (SCs) have emerged as a mechanism that facilitates trades on exchanges and for use in payments and settlements;
5. Whereas the Zone Authority adopted a banking regulatory code, to facilitate banking services within the Zone, compliant with the Zone Civil Ordinance.
6. Whereas Title II, Chapter 1 of the Zone Civil Ordinance gives the Zone Authority Commission the power to adopt regulations in a manner consistent with the Green Earth Zone Administrative Procedures Regulation 001-22;
7. Therefore, this Regulation provides a framework for the approval and licensing process for the issuance of Stablecoins and the bases for establishing requirements for assets that must back them, auditing, statements done by stablecoin issuers, among others.

SECTION 101. SHORT TITLE.

This Regulation may be cited as the "Green Earth Zone Payment Stablecoin Regulation."

SECTION 102. DEFINITIONS. In this regulation:

1. "Banking Code" means the Catawba Nation Banking and Financial Services Code, approved by the Zone Authority Commission.
2. "Commission" means Zone Authority Commission pursuant to Title II, Chapter 1, Section 2 of the Civil Zone Ordinance, or the Zone Banking Commission of the Catawba Nation pursuant to Chapter 30 of the Banking Code, as applicable, but until appointed and as otherwise stated and/or amended, shall refer to the Zone Authority Commission.





3. “Digital Asset” has the meaning provided in Section 102(b) of the Digital Assets Regulation.
4. “Entity” means a natural person or a group of natural persons, partnership, corporation, trust, association, unincorporated organization, or any other form of entity or organization.
5. “Insured Depository Institution (IDI)” means an insured depository institution, as defined in Federal Insurance Deposit Insurance Act (12 U.S.C. 1813).
6. “Special Purpose Depository Institution (SPDI)” means a special purpose depository institution, as defined in Chapter 180 of the Zone Banking Code.
7. “Licensed Non-bank Entity” means a non-bank entity licensed by the Zone Payment Stablecoin Regulator pursuant to Section 102 of this regulation.
8. “Monetary Value” means a national currency or deposit (as defined in
9. 12 U.S.C. 1813 or Section 100.1 of the Zone Banking Code, as applicable).
10. “National Currency” means United States coins, Federal Reserve note or other lawful money as the term is used in Article 12 of the Uniform Commercial Code, as adopted by Resolution No. [*] of the Zone Authority Commission, and/or as used in the Federal Reserve Act (12 U.S.C. 411), as applicable, money issued by central bank, or money issued by an intergovernmental organization pursuant to an agreement by one or more governments.
11. “Non-Insured Bank” means a Bank that is not insured by the Federal Deposit Insurance Corporation.
12. “Non-bank Entity” means an entity that is not a bank, or an insured depository institution or special depository institution.
13. "Payment Stablecoin" means a Digital Asset that is-
 - a. Designed to be used as a means of payment or settlement; and
 - b. the issuer of which—
 1. is obligated to convert, redeem, or repurchase for a fixed amount of Monetary Value; or



2. represents will maintain or creates the reasonable expectation that it will maintain a stable value relative to the value of a fixed amount of Monetary Value; and
3. that is not—
 1. a national currency; or
 2. a security pursuant to Article 8 of the UCC.

14. “Zone Payment Stablecoin Issuer” means an entity approved or licensed by the Payment Stablecoin Regulator, as applicable, that is legally established under the laws of the Catawba Nation.

15. “Zone Payment Stablecoin Regulator” means the Zone Authority Commission and/or Zone Banking Commission, as applicable. Notwithstanding, until the appointment of the competent Zone Banking Commission and unless otherwise stated and/or amended, shall refer to the Zone Authority Commission.

SECTION 103. PERMITTED PAYMENT STABLECOIN ISSUERS.

- a. The issuance of Stablecoins will not be permitted unless issued by:
 1. An effect Insured Depository Institution or Special Purpose Depository Institution or a subsidiary thereof, that has been approved or chartered as such by the Commission, as applicable, pursuant to the Zone Banking Code and further approved or authorized to issue Stablecoins under this regulation; or
 2. A Non-bank Entity licensed under this regulation.
 3. A Non-Insured Bank pursuant to the definition provided in Section 10.2.(2) of the Zone Banking Code

SECTION 104. APPROVAL FOR INSURED DEPOSITORY INSTITUTION OR SPECIAL PURPOSE DEPOSITORY INSTITUTION AND LICENSING OF NON-BANK ENTITIES.

- a. Entities described in Section 103 that seek to issue Payment Stablecoins shall comply with the following:





1. The Commission shall establish by rule the process for the evaluation and approval of applications by:
 - (A) An Insured Depository Institution or a SPDI or the subsidiary thereof that seeks to issue Payment Stablecoins directly or by means of a subsidiary and;
 - (B) Non-bank Entities to issue stablecoins.
 - (C) Non-insured Banks to issue stablecoins.

2. The Commission shall establish by rule the process requirements and timelines and determine on whether application was submitted complete and render a decision within a reasonable period or as may be established by the Zone Payment Stablecoin Regulator.

3. If no decision on an application is given it shall not be understood that the application has been approved.

4. Factors. In evaluating an application, the Zone Payment Stablecoin Regulator shall examine and verify the following factors:
 - A. The ability of the applicant to maintain reserves backing its outstanding payment stablecoins on an at least a 1-to-1 basis, with reserves consisting of assets described herein, or as may be established or required by the Commission.

 - B. The financial resources, managerial and/or technical expertise, and governance of the applicant.

 - C. The benefit to the public of the issuance, including sustainability, development, innovation and competition for the Zone.

 - D. The convenience and needs of the Catawba Nation and the community to be served.

 - E. The applicant's plan to promote greater inclusion and development for businesses, consumers and tribal members in the Green Earth Zone and beyond.



SECTION 105. REGULATION AND SUPERVISION OF PAYMENT STABLECOIN ISSUERS.

a. Authority of Regulators. The appropriate Zone Payment Stablecoin Regulator may issue resolutions, orders, guidance and/or supplementing regulations as may be necessary to manage and carry out the provisions contained herein.

b. Supervision. Each Payment Stablecoin Issuer shall be subject to supervision by the Zone Stablecoin Regulator as follows:

1. Insured Depository Institutions and Special Purpose Depository Institutions and Subsidiaries thereof shall be subject to supervision by the Zone Payment Stablecoin Regulator pursuant to the Zone Banking Code, and at a minimum must comply with the same requirements applicable to Licensed Non-bank Entities.

2. Licensed Non-bank Entities and Non-Insured Banks shall comply with the following requirements:

A. Reports. In addition to the monthly disclosure on reserve composition, upon request of the Zone Payment Stablecoin Regulator Licensed Non-bank Entities shall submit certified report as to (i) its financial condition, systems for monitoring and controlling financial and operating risks (ii) compliance with the provisions contained in this regulations and any rule or provision issued and required by the Zone Payment Stablecoin Regulator.

B. Examinations. The Zone Payment Stablecoin Regulator may conduct examinations of a Licensed Non-bank Entity or Non-Insured Bank in order to examine:

(i) the nature of operations and financial condition;

(ii) financial, operational and other risks within said entity that may pose a threat to its safety and soundness, or to the financial and legal stability of the Green Earth Zone;

(iii) the Entity's systems for monitoring and controlling the risks described in item (ii).

c. Regulatory Standards. Regulators shall design and establish such standards or differentiate the regulatory requirements herein, including capital, liquidity, risk management, and other requirements as appropriate, by considering the complexity and risk profile of payment stablecoin issuers.



SECTION 106. RESERVE REQUIREMENTS FOR ZONE PAYMENT STABLECOINS.

1. All Payment Stablecoin Issuers shall maintain reserves backing its Payment Stablecoins outstanding at least on a 1-to-1 basis, with reserves comprising of:
 - A. United States coins and currency (including Federal reserve notes);
Funds held as insured deposits;
 - B. Level 1 Liquid assets as defined by US Code or as defined in the Federal Code in Section 12 CFR 249.20 and/or as established pursuant to the Zone Banking Code, as applicable.
 - C. Level 2a-2b assets, as defined by federal code, or its equivalent within the Banking Code or as may be established by the Commission. This includes sovereign bonds with up to 20% risk, securities of US sponsored enterprises, low risk corporate debt, low risk publicly traded common stock, and municipal bonds The assets herein described will be understood as Asset-Backed Stablecoins for purposes of Disclosure requirements described in Section 107.
- (2) Reserves described in sub-item (1) above may not be pledged, rehypothecated, or reused, except for the purpose of creating liquidity to meet reasonable expectations of requests to redeem Payment Stablecoins, as may be established and authorized by the Commission.

SECTION 107. DISCLOSURES, ATTESTATIONS AND REDEMPTION POLICIES.

- a. Disclosure. A Zone Payment Stablecoin Issuers shall publish and publicly disclose the quarterly composition, as applicable, of its reserve portfolio and assets backing the Payment Stablecoin, and caution whether such Payment Stablecoin is Asset-Backed, on the Zone Payment Stablecoin Issuer's website and by other electronic means, in a format established by the Commission;
- b. Attestation. The legal representative of the Zone Payment Stablecoin Issuer shall file an attestation with the Commission on a quarterly basis, attesting to the veracity of the reserve portfolio information disclosed. The Commission may also require quarterly attestations by a registered public accounting firm or an entity authorized or established by the Commission;
- c. Redemptions. A Zone Payment Stablecoin Issuer shall adopt and publicly disclose policies and the process to allow redemption of Payment Stablecoins within a



reasonable time-frame, including whether requests will be met on demand or with a time lag, as established by the Commission, which may limit or require a specific time-frame after the request for redemption is made.

SECTION 108. EXEMPTION FROM SECURITIES REQUIREMENTS.

A Payment Stablecoin shall not be deemed as a security and the term Digital Security as defined by the Digital Assets Regulation will not be deemed to include Payment Stablecoins as defined herein unless the parties agree to treat such Payment Stablecoin as such pursuant to the Opt-in option of Article 8 - Investment Securities of the UCC.

SECTION 109. APPLICABILITY OF OTHER LAWS.

A Zone Payment Stablecoin Issuer shall be subject to any applicable federal law.

SECTION 110. LIMITATION ON ACTIVITIES.

a. Except as established or approved by the Commission, a Zone Payment Stablecoin Issuer may only issue payment stablecoins, redeem payment stablecoins, manage related reserves (including purchasing and holding reserve assets), provide custodial or safekeeping services for payment stablecoins or private keys of payment stablecoins, and undertake other limited functions that directly support the work of issuing and redeeming payment stablecoins.

b. No Entity may acquire control of a Zone Payment Stablecoin Issuer without prior approval of the appropriate Zone Payment Stablecoin Regulator

c. Any Zone Payment Stablecoin Issuer shall not hire any person or entity who has been convicted of any criminal offense involving insider trading, embezzlement, cybercrime, money laundering, or financing of terrorism, or felony financial fraud to serve as an executive officer or a person with control of more than 5 percent of the shares of a Zone Payment Stablecoin Issuer.

SECTION 111. LIMITATION FOR UNAUTHORIZED PAYMENT STABLECOINS.

Except as authorized by the Commission, no entity may market or publicize themselves, nor their assets, as Payment Stablecoins or Payment Stablecoin Issuers unless they meet the requirements of Section 106 and have been approved and licensed by the Zone Payment Stablecoin Regulator to issue Payment Stablecoin Issuers pursuant to this regulation. Violators will be subject to Civil penalties by the Zone Authority.