SENATE . . . . No.

The Commonwealth of Massachusetts

PRESENTED BY:

Peter J. Durant

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act establishing the Massachusetts Digital Settlement Sandbox Program.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Peter J. Durant	*Worcester and Hampshire*

SENATE . . . . No.

By Mr. Durant, a petition (accompanied by bill) (subject to Joint Rule 12) of Peter J. Durant for legislation to establish the Massachusetts Digital Settlement Sandbox Program. Financial Services.

The Commonwealth of Massachusetts

_____

In the One Hundred and Ninety-Fourth General Court
(2025-2026)
_____

An Act establishing the Massachusetts Digital Settlement Sandbox Program.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1   SECTION 1. Chapter 167B, as appearing in the 2022 Official Edition, is hereby amended

2   by inserting the following new section:-

3   Section 25:

4   (a) Definitions

5   As used in this act, the following words have the following meanings:

6   "Division", the Massachusetts division of banks.

7   "GENIUS-compliant stablecoin", a payment stablecoin issued by a permitted payment

8   stablecoin issuer as defined under the GENIUS Act and subject to federal supervision under that

9   act.

10   "Sandbox participant", a firm, financial institution, governmental entity, or nonprofit

11   organization admitted into the Massachusetts digital settlement sandbox under this act.

12   "Settlement application" includes, but is not limited to: (1) same-day closing of

13   municipal notes and bonds; (2) payroll or contractor disbursements; (3) government refunds or

14   rebates; and (4) cross-border remittances associated with public universities or health systems.

15   (b) Establishment of Sandbox

16   The division shall establish a Massachusetts digital settlement sandbox program,

17   consistent with chapter 167B and chapter 169 of the General Laws. The division, in consultation

18   with the office of the state treasurer, the secretary of administration and finance, and the

19   Massachusetts technology collaborative, shall promulgate regulations for the application,

20   admission, and oversight of sandbox participants. Sandbox participation shall be limited to 24

21   months, with a possible one-time 12-month extension upon a showing of good cause.

22   (c) Regulatory Coordination

23   The division shall coordinate with federal banking regulators and the United States

24   Department of the Treasury to ensure compliance with the GENIUS Act, the Bank Secrecy Act,

25   anti-money laundering obligations, sanctions requirements, and cybersecurity and operational

26   risk management standards. The division shall establish information-sharing agreements with the

27   office of the comptroller of the currency, the federal reserve, and other relevant agencies for

28   sandbox participants operating in the commonwealth. Nothing in this act shall be construed to

29   conflict with federal law or regulations.

30   (d) Consumer Protection and Transparency

31   Sandbox participants shall provide clear disclosures to consumers and counterparties,

32   including: (1) the GENIUS-compliant status of the stablecoin used; (2) the 1:1 reserve

33   requirements and backing assets; and (3) any transaction or conversion fees. The division may

34   suspend or revoke sandbox participation for failure to comply with disclosure, prudential, or

35   anti-fraud requirements.

36   (e) Sandbox Incentive Fund

37   A sandbox incentive fund is established within the executive office of economic

38   development. The fund shall support sandbox participants through refundable tax credits for

39   qualifying payroll and research expenditures in the commonwealth or competitive grants for pilot

40   projects involving settlement applications. The aggregate annual amount of credits and grants

41   shall not exceed $15,000,000. The fund shall be financed through:

42   (1) A one-time seed allocation of $3,000,000, reallocated from existing appropriations to

43   the economic development incentive program under section 3A of chapter 23A of the General

44   Laws or the Massachusetts technology collaborative under section 2 of chapter 40J of the

45   General Laws, as determined by the secretary of economic development;

46   (2) Application and participation fees for sandbox participants, not to exceed $50,000 per

47   participant, as established by regulations promulgated by the division;

48   (3) A transaction fee of 0.2 per cent on the value of stablecoin transactions processed

49   within the sandbox, collected by participants and remitted to the fund quarterly, subject to

50   regulations ensuring compliance with chapter 167B and chapter 169 of the General Laws and

51   federal law, and avoiding duplicative assessments;

52   (4) Federal grants obtained through matching programs, including those administered by

53   the United States Economic Development Administration or United States Department of the

54   Treasury, with the division authorized to apply for and accept such funds;

55   (5) Contributions from public-private partnerships, philanthropic organizations, or

56   venture capital entities, solicited and accepted by the division in consultation with the executive

57   office of economic development, provided that such contributions align with the purposes of this

58   act and do not create conflicts of interest. Contributions shall be disclosed publicly in the annual

59   report, including source, amount, and any conditions.

60   The division shall promulgate regulations for the administration of the fund, including fee

61   structures, disbursement criteria, and reporting on fund sources and uses to ensure transparency

62   and fiscal responsibility.

63   (f) Reporting

64   The division shall submit an annual report to the clerks of the house of representatives

65   and senate, the joint committee on financial services, and the house and senate committees on

66   ways and means. The report shall detail: (1) the number and nature of sandbox participants; (2)

67   pilot use cases tested; (3) economic and fiscal impacts on the commonwealth; (4) contributions

68   received under section 6, subsection (e); and (5) recommendations for permanent statutory or

69   regulatory changes.

70   (g) Sunset

71   This act shall expire 5 years after its effective date unless reauthorized by the general

72   court; provided, however, that sandbox participants admitted before the expiration date may

73   complete their pilot periods. The division shall ensure an orderly wind-down of sandbox

74   activities to protect consumers and counterparties.

75   (h) Severability

76   If any provision of this act or its application to any person or circumstance is held invalid,

77   the remainder of the act or the application of the provision to other persons or circumstances

78   shall not be affected.

79   (i) Effective Date

80   This act shall take effect 90 days after its passage.