Stablecoin Bills Advance in Congress as Administration Continues Crypto Push

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As the Trump administration continues to pursue its agenda to promote digital assets in the United States, U.S. lawmakers are also pushing forward legislation to bring legal clarity to digital asset activities. A federal regulatory framework for payment stablecoins has found bipartisan support in both chambers, and at its current pace, Congress seems likely to meet President Trump's stated target to sign a bill into law before the August 2025 congressional recess.

Last month, the U.S. House Financial Services Committee reported the Stablecoin Transparency and Accountability for a Better Ledger Economy Act of 2025 ("STABLE Act") out of committee on a bipartisan vote, following the Senate Banking Committee's earlier action to report a separate but similar bill, known as the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 ("GENIUS Act"). Both bills now await consideration and a floor vote in their respective chambers.

Although the stablecoin bills parallel each other in many respects, they are not identical, and House and Senate negotiators will need to resolve their differences before a final version of the bills can be enacted into law. Two key differences are how the bills would treat non-U.S. stablecoin issuers, and whether a state-regulated issuer would be required to transition to federal regulation if it expands beyond a specified size. In addition, it is possible that the legislation will be further amended to address calls for greater statutory consumer and bankruptcy protections as well as measures to address potential use for illicit finance.

Shared Elements of the Stablecoin Bills

Definition of Payment Stablecoin; Prohibition on Interest Payments

Both the GENIUS Act and the STABLE Act would define a payment stablecoin as a digital asset that is designed to be used as a means of payment or settlement where the issuer is either obligated to convert, redeem or repurchase the digital asset for a fixed amount of monetary value or represents (or creates a reasonable expectation) that the

digital asset will maintain a stable value relative to the value of a fixed amount of monetary value. The definition would exclude assets that are themselves national currencies, deposits (including deposits tokenized on a distributed ledger) and certain securities.

Both bills provide that payment stablecoins will not be backed or guaranteed by the U.S. government or insured by the Federal Deposit Insurance Corporation ("FDIC") or National Credit Union Administration, and both bills would prohibit the payment of interest or yield to holders of payment stablecoins. The prohibition on interest and yield will be an important area to watch as the bills move forward in Congress given the significant commercial interest among issuers to use rewards programs to incentivize consumer adoption of an issuer's stablecoin.

Who Can Be a Payment Stablecoin Issuer and Who Would Regulate Them?

Both bills would prohibit issuance of stablecoins in the United States without a federal or state license. Both nonbank entities and subsidiaries of insured depository institutions ("IDIs") would be eligible to be approved to issue payment stablecoins under a federal licensing regime, and both bills would allow for a parallel state licensing regime for stablecoin issuers, subject to the relevant state regulatory framework being comparable to the federal framework.

For federally licensed issuers, the relevant federal regulator would be the Office of the Comptroller of the Currency ("OCC") for federally approved nonbank issuers, and the federal banking regulator of the parent IDI (e.g., the OCC, FDIC or Federal Reserve) for subsidiaries of IDIs.

State-licensed issuers would primarily be regulated by the relevant state regulator of stablecoin issuers, which could choose (but would not be required) to enter into a memorandum of understanding with a federal regulator (either the Federal Reserve or another federal banking regulator, depending on the bill) to allow the latter to participate in the examination, supervision and enforcement of state-regulated issuers. Federal regulators would also have back-up enforcement authority over state-regulated issuers in unusual and exigent circumstances.

Federal and State Standards for Stablecoin Issuers

Both bills would require regulators to establish federal standards for payment stablecoin issuers. Issuers would be subject to reserve requirements (described in more detail below), capital and liquidity requirements, reserve asset diversification standards and interest rate, operational, compliance, IT and cybersecurity risk management standards.

Issuers would be deemed to be financial institutions under the Bank Secrecy Act and would be required to comply with U.S. sanctions and to maintain risk-based anti-money laundering ("AML") programs, including a customer identification program, appropriate records of payment stablecoin transactions and procedures to file suspicious activity reports ("SARs"), as established in regulations to be adopted by the Department of the Treasury's Financial Crimes Enforcement Network. The GENIUS Act, which includes more detail than the STABLE Act on AML compliance issues, would also require issuers to have the technological capacity to comply with lawful orders issued by federal courts or federal agencies that require the issuer to seize, freeze, burn or prevent the transfer of payment stablecoins it has issued ("Lawful Orders").

Issuers would also be subject to activity limitations such that a payment stablecoin issuer would only be authorized to issue and redeem payment stablecoins; manage related reserves, including purchasing, selling and holding reserve assets; provide custodial or safekeeping services for payment stablecoins, stablecoin reserves and their private keys; and perform other functions that directly support the aforementioned activities (unless authorized for further activities by the appropriate federal or state regulator). Neither bill would limit the activities of affiliates of a stablecoin issuer, although affiliates of stablecoin issuers that are part of a bank holding company or a savings and loan holding company group would remain subject to the restrictions of the Bank Holding Company Act or the Home Owners' Loan Act to the same extent as before.

Payment stablecoin issuers would be subject to supervision by the relevant federal or state regulator, as described above. The federal regulator would have the power to suspend or revoke registration, enter cease and desist orders, impose civil monetary penalties and enter removal and prohibition orders against a federally licensed issuer and its institution-affiliated parties.

For issuers operating under a state license, states would be required to have a state-level regulatory framework that is "substantially similar" to (under the GENIUS Act) or "meets or exceeds" (under the STABLE Act) federal standards, which would require a certification by the relevant state payment stablecoin regulator to the Secretary of the Treasury.

Reserve Requirements

Both bills specify that issuers would be required to maintain reserves backing their outstanding payment stablecoins on a one-to-one basis, and issuers would be prohibited from pledging, rehypothecating or reusing these reserves except in limited circumstances. In general, reserves would be limited to (i) U.S. cash and currency or money standing to the credit of an account with a Federal Reserve Bank; (ii) funds held

as demand deposits at an IDI; (iii) short-term Treasury bills, notes or bonds with a remaining maturity of 93 days or less; (iv) repurchase and reverse repurchase agreements on short-term Treasuries; and (v) securities issued by an investment company that operates as a money market fund and invests only in the assets listed in (i) – (iv) above.

Issuers would be required to publicly disclose their redemption policies, establish procedures for timely redemption of outstanding payment stablecoins and publish a monthly reserve report detailing the total number of outstanding payment stablecoins issued and the amount and composition of reserves. The Chief Executive Officer and Chief Financial Officer of an issuer would be required to certify the accuracy of each month's report, and prior month reserve reports would be subject to audit by a registered public accounting firm.

Standards for Custody of Payment Stablecoin Collateral and Reserves

Both bills would require that custodians and wallet providers for payment stablecoins be regulated financial institutions supervised by a federal banking agency, the Securities and Exchange Commission ("SEC"), the Commodity Futures Trading Commission ("CFTC") or a state banking supervisor that makes certain information relevant to customer protection available to the Federal Reserve. Only these entities would be permitted to provide custodial or safekeeping services for payment stablecoins, stablecoin reserves or the private keys of payment stablecoins, and these entities would be required to comply with customer protection requirements that require the custodian to treat customer stablecoins as the property of the customer, take steps to ensure the assets are protected from the claims of creditors of the custodian and avoid commingling of customer assets in most cases.

Issuer Insolvency and Bankruptcy

Both bills would give priority to stablecoin holders' claims against an issuer's reserves in insolvency or bankruptcy, although the GENIUS Act includes more detailed provisions carving out stablecoin reserves from a bankruptcy estate and addressing various issues that could arise in insolvency proceedings. Neither bill currently provides a specialized bankruptcy regime for stablecoin issuers.

Interoperability

Both bills direct relevant federal and state regulators to consider prescribing standards to promote compatibility and interoperability of payment stablecoins with other permitted stablecoin issuers and the broader digital finance ecosystem.

Clarifying Stablecoin Status Under Other Federal Laws

Both bills would amend federal securities laws to clarify that payment stablecoins issued by permitted issuers would not be classified as "securities." The GENIUS Act would also amend the Commodity Exchange Act to explicitly exclude payment stablecoins from the definition of "commodity," thereby removing them from the jurisdiction of the CFTC, and would clarify that permitted payment stablecoin issuers are not considered investment companies.

Key Differences

Although the regulatory framework established under either bill would be largely similar, there are a number of differences between the two bills that will need to be resolved before the bills can become law. We highlight two key differences below, but note that there are a number of other, potentially less significant, differences that this update does not attempt to catalog.

Treatment of Foreign Issuers and Foreign Stablecoins

Under the GENIUS Act, only U.S.-domiciled issuers can be approved to issue payment stablecoins. Payment stablecoins issued by non-approved issuers outside of the United States would receive disfavored status for accounting and some regulatory purposes (they could not be treated as cash or cash equivalents for accounting purposes or for margin and collateral purposes with futures commission merchants, derivatives clearing organizations, broker-dealers, clearing agencies and swap dealers, and they would not be an acceptable settlement asset for wholesale payments between banking organizations). Foreign-issued payment stablecoins could still be traded through intermediaries in the United States, but U.S. intermediaries could be barred from facilitating trading in a foreign-issued stablecoin if the foreign issuer does not comply with Lawful Orders (as defined above). The GENIUS Act also directs the Treasury Department to negotiate within two years reciprocal agreements with other, similarly regulated jurisdictions to facilitate international transactions and interoperability with U.S. dollar-denominated payment stablecoins issued overseas.

The STABLE Act is somewhat more open to foreign issuers. It does not require approved issuers to be domiciled in the United States, and it provides a pathway for payment stablecoins issued by issuers in comparably regulated foreign countries to be issued and traded by intermediaries in the United States, if the Secretary of the Treasury determines that the foreign stablecoin regulatory regime is comparable to the requirements of the STABLE Act and the foreign issuer consents to be subject to U.S. reporting and examination requirements.

Transition to Federal Regulatory Framework

The GENIUS Act would permit issuers to remain state-licensed and regulated so long as the issuer's consolidated total outstanding stablecoin issuance is less than $10 billion. But a state-regulated issuer would be required to transition to the federal regulatory regime once its total outstanding issuances exceed $10 billion, or cease issuing new stablecoins until the total issuance falls below $10 billion. For nonbank issuers, the federal regulatory regime would be administered by the relevant state regulator, but for depository institution subsidiaries, the regime would be jointly administered by the appropriate federal banking agency and the state regulator. In contrast, the STABLE Act would permit state-authorized issuers to remain under state supervision indefinitely without any total outstanding issuance threshold.

Timing

Both bills have been moving through Congress at a quick pace and a final reconciled bill is likely to become law before President Trump's August deadline. Each would also set an aggressive timeline for rulemaking, with a 180-day (under the STABLE Act) or one-year (under the GENIUS Act) deadline for the principal federal regulations necessary to approve and regulate payment stablecoin issuers. If these timelines hold, we could begin seeing federal authorizations for payment stablecoin issuers as early as 2026.

Recent Administration Actions to Promote Digital Assets

- On March 7, 2025, the OCC released Interpretive Letter #1183, rescinding the requirement for national banks and federal savings associations to obtain prior written supervisory non-objection before engaging in crypto-asset-related activities that the OCC had already deemed as legally permissible. The OCC also announced that it had withdrawn from two interagency joint statements issued in 2023 that highlighted risks associated with crypto-asset activities for banking organizations. The OCC's actions are addressed in our prior client update: OCC Takes Initial Steps to Liberalize Approach to Bank Crypto-Asset Activities.

- Following the OCC's lead, the FDIC (on March 28) and Federal Reserve (on April 24) have now also withdrawn their supervisory letters that had required that the institutions they supervise provide prior notice to, or obtain prior approval from, the relevant supervisor prior to engaging in crypto-related activities, stating that supervisory review of crypto-related activity will now occur as part of the normal supervisory process. The FDIC and Federal Reserve

also joined the OCC in withdrawing from the two 2023 interagency joint statements on risks from crypto-asset activities.

- On April 4, 2025, the SEC's Division of Corporate Finance issued a statement clarifying that stablecoins with certain characteristics, referred to as "Covered Stablecoins," are not considered securities under federal securities law. Among other characteristics, these Covered Stablecoins are designed to maintain a one-to-one value with the U.S. dollar ("USD"), are redeemable for USD on a one-for-one basis, do not pay interest and are backed by low-risk, liquid assets held in reserve that meet or exceed the redemption value of the stablecoins in circulation. The statement reasoned that Covered Stablecoins are not notes that are securities under a *Reves* analysis because their offer and sale is to advance a commercial or consumer purpose rather than for investment, and that they are not investment contracts under a *Howey* analysis because they would not be marketed as investments and buyers would not have a reasonable expectation of profit derived from the efforts of others. The Division also concluded that the offer and sale of such stablecoins do not constitute securities transactions, meaning that entities involved in their creation or redemption are not required to register those transactions with the SEC. The Division emphasized that its view is not dispositive of whether any specific stablecoin is offered or sold as a security; rather, such a determination depends on an analysis of the facts relating to the specific stablecoin and the circumstances surrounding its offer and sale.

- In a memorandum issued on April 7, 2025, the U.S. Department of Justice ("DOJ") announced it is shifting its approach to cryptocurrency enforcement. According to the memorandum, the DOJ will no longer pursue charges against cryptocurrency platforms—such as exchanges, wallet providers, dealers and mixing services—for the actions of their end users, and will instead focus its efforts on "prosecuting individuals who victimize digital asset investors, or those who use digital assets in furtherance of criminal offenses such as terrorism, narcotics and human trafficking, organized crime, hacking, and cartel and gang financing." The DOJ also announced it was disbanding its national cryptocurrency enforcement team, redirecting resources to other priorities. It is too early to tell what impact, if any, the policy shift will have on ongoing DOJ cases related to digital assets, but the SEC has notably moved to dismiss or settle many of the enforcement actions it took under the prior administration against digital asset companies and exchanges.

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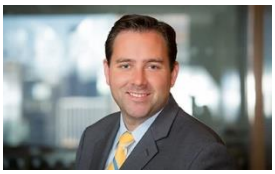
Please do not hesitate to contact us with any questions.



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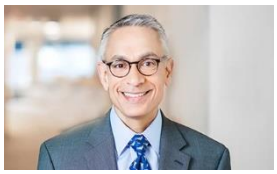

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