

# Genius Act Signed into Law, Establishing First Federal Stablecoin Framework

July 21, 2025

On July 18, 2025, President Trump signed the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 ([the “GENIUS Act” or the “Act”](#)) after its passage in the House and Senate with broad bipartisan support. The GENIUS Act establishes a comprehensive regulatory framework for payment stablecoins, and it is the first federal statute to directly regulate the digital asset market.

Federal and state regulators are directed to promulgate implementing regulations through notice and comment procedures within one year of enactment, and the Act will take effect on the earlier of (i) 18 months after its enactment or (ii) 120 days after the primary federal stablecoin regulators issue final regulations implementing the Act.

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## The GENIUS Act’s Regulatory Framework for Payment Stablecoins

The GENIUS Act will regulate the issuance and trading of stablecoins in the United States by defining a category of “payment stablecoins” and establishing regulations governing payment stablecoin issuers and intermediaries (known as digital asset service providers).

The Act will make it unlawful for any person other than a permitted payment stablecoin issuer to issue a payment stablecoin in the United States, and digital asset service providers will be prohibited from offering or selling payment stablecoins in the United States unless the stablecoin is issued by (i) a permitted payment stablecoin issuer or (ii) a comparably regulated foreign payment stablecoin issuer (as described below).

In addition, payment stablecoins that are not issued by permitted payment stablecoin issuers could not be (i) treated as cash or cash equivalent for accounting purposes, (ii) eligible as cash or cash equivalent margin and collateral for broker-dealers, swap dealers and other Securities and Exchange Commission (“SEC”)- or Commodity Futures Trading Commission (“CFTC”)-regulated intermediaries or (iii) accepted as a settlement asset to facilitate wholesale payments between banking organizations (directly or through a payment infrastructure).

The Act does not, however, regulate direct peer-to-peer (non-intermediated) transfers or self-custody of payment stablecoins.

### **Definition of Payment Stablecoin**

The GENIUS Act defines a payment stablecoin as a digital asset that is, or is designed to be, used as a means of payment or settlement where the issuer (i) is obligated to convert, redeem or repurchase the digital asset for a fixed amount of monetary value and (ii) 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 excludes digital assets that are a national currency, a deposit (including deposits tokenized on a distributed ledger) or a security (and the Act separately clarifies that payment stablecoins are not securities).

The Act defines “digital asset” as any digital representation of value that is recorded on a cryptographically secured distributed ledger and defines a “distributed ledger” as technology in which data is shared across a network that creates a public digital ledger of verified transactions or information among network participants, and cryptography is used to link the data to maintain the integrity of the public ledger and execute other functions. Private, permissioned digital ledgers appear to be largely outside the Act’s scope.

The Act does not regulate stablecoins that do not fit the definition of payment stablecoin, but it directs the Treasury Secretary to conduct a study of nonpayment stablecoins, including algorithmic stablecoins, and submit a report to the Senate Banking Committee and the House Financial Services Committee within one year of the Act’s enactment.

### **Prohibition on Interest Payments; No Insurance**

The Act will prohibit permitted payment stablecoin issuers and foreign payment stablecoin issuers from paying payment stablecoin holders any form of interest or yield—whether in cash, tokens or other consideration—“solely in connection with the holding, use, or retention of such payment stablecoin.”

The interpretation of this restriction going forward will be a key area to watch given the significant interest among potential issuers in using rewards programs and other incentives as a differentiating factor to drive consumer demand. Among other things, the Act does not expressly apply to affiliates of a stablecoin issuer, nor does it clarify when interest or a yield might be payable for reasons other than the holding, use or retention of a stablecoin.

Payment stablecoins will not be subject to deposit insurance or otherwise backed or guaranteed by the federal government, and the Act will make it unlawful to represent otherwise.

### **Permitted Payment Stablecoin Issuers**

The GENIUS Act establishes parallel federal and state pathways to be licensed as a permitted payment stablecoin issuer.

Under the federal path, subsidiaries of insured depository institutions (“IDIs”) and nonbank entities will be eligible to be licensed to issue payment stablecoins, as will federal branches of foreign banks and uninsured national banks, but IDIs themselves cannot be licensed (although IDIs may be able to issue tokenized deposits that operate similarly to payment stablecoins under other, preexisting legal frameworks).

Under the state path, a state agency that has primary regulatory and supervisory authority in the state over entities that issue payment stablecoins could license a state-qualified payment stablecoin issuer<sup>1</sup> if the relevant state regulator certifies that its state-level regulatory regime is substantially similar to the federal regime, based on broad-based principles to be established by the Treasury Secretary. Certifications will be submitted to a Stablecoin Certification Review Committee (comprising the Treasury Secretary, the Chair (or Vice Chair for Supervision) of the Federal Reserve Board (“FRB”) and the Chair of the FDIC), which will have 30 days to either unanimously approve the certification as meeting or exceeding the standards and requirements of the federal regime or deny the certification with an explanation and opportunity to make changes to address the basis for denial. State-qualified issuers with over \$10 billion in outstanding stablecoins would, however, be required to transition to federal oversight within 360 days, unless they receive a waiver (which should be presumptively approved for preexisting state-level regimes meeting certain criteria).

Public companies that are not predominantly engaged in financial activities, and their majority-owned subsidiaries, will be prohibited from issuing payment stablecoins unless unanimously approved by the Stablecoin Certification Review Committee. Public companies approved under this provision will be subject to limits on the use of nonpublic personal information obtained from stablecoin transaction data.

The chart below compares some of the key features of the various federal and state licensing options.

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<sup>1</sup> Uninsured national banks, federal branches, IDIs and their subsidiaries would not be eligible to become state-qualified issuers.

Issuer Type	Primary Supervisor / Licensing Authority	Limits on Affiliation	Reserves and Prudential Standards	Potential for Federal Payment System Access*
Subsidiaries of IDIs (including credit unions)	Primary federal regulator of IDI parent	Parent of IDI subject to Bank Holding Company Act activity and affiliation limits	Yes; federal regime applies	Only if eligible for master account access under Federal Reserve Act (“FRA”)
Nonbank entities under federal licensing regime	OCC	If parent is public, must be predominantly engaged in financial activities**	Yes; federal regime applies	Only if eligible for master account access under FRA
Uninsured national banks	OCC	If parent is public, must be predominantly engaged in financial activities**	Yes; federal regime applies	National banks are eligible for master account access
Federal branches of foreign banks	OCC	Subject to existing U.S. law re FBO control	Yes; federal regime applies, potentially adjusted for branches	Federal branches of foreign banks are eligible for master account access

Issuer Type	Primary Supervisor / Licensing Authority	Limits on Affiliation	Reserves and Prudential Standards	Potential for Federal Payment System Access*
State-licensed issuers (subject to \$10 billion issuance cap)	State, with FRB or OCC backup supervisory authority	If parent is public, must be predominantly engaged in financial activities**	Yes; home state regime applies; must be substantially similar to the federal regime	Only if eligible for master account access under FRA

\* The GENIUS Act does not change preexisting legal eligibility requirements or FRB guidance regarding its discretion in granting master account access.

\*\* Unless approved by the Stablecoin Certification Review Committee.

## Federal and State Standards for Stablecoin Issuers

The GENIUS Act mandates that regulators create federal standards for payment stablecoin issuers. Issuers subject to the federal regime will need to comply with reserve requirements (described further below), capital and liquidity requirements, standards for reserve asset diversification and risk management standards for interest rate, operational, compliance, IT and cybersecurity risks. State-qualified issuers will be subject to “substantially similar” requirements imposed by their home state.

Both federal- and state-qualified issuers will be deemed financial institutions for purposes of the Bank Secrecy Act and will be subject to all federal laws applicable to a financial institution in the United States related to economic sanctions, anti-money laundering and customer due diligence. This includes requirements to maintain an effective anti-money laundering program, retain appropriate records, monitor and report suspicious transactions, implement technical capabilities to block impermissible transactions and maintain effective customer identification and sanctions compliance programs. Each issuer will be required to submit an annual certification that it had implemented anti-money laundering and economic sanctions compliance programs reasonably designed to prevent the issuer from facilitating money laundering and the financing of terrorist activities. Federal, state and foreign stablecoin issuers will need to have the technological capability to comply with terms of any lawful order to seize, freeze, burn or prevent the transfer of payment stablecoins they have issued.

Issuers (but not their parents or affiliates) will also be subject to activity limits such that a permitted payment stablecoin issuer will 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, required stablecoin reserves or their private keys; and perform other functions that directly support these core activities. An issuer's primary stablecoin regulator could, however, authorize an issuer to engage in other payment stablecoin or digital asset service provider activities.

### **Reserve Requirements**

Issuers will be required to maintain identifiable reserves backing their outstanding payment stablecoins on at least a one-to-one basis, and issuers will be prohibited from pledging, rehypothecating or reusing these reserves except in limited circumstances. In general, reserves will be limited to: (i) U.S. cash and currency and balances held at a Federal Reserve Bank; (ii) funds held as demand deposits (or other deposits that may be withdrawn upon request) at an IDI; (iii) short-term Treasury bills, notes or bonds with a remaining maturity or issued with a maturity of 93 days or less; (iv) money received under overnight repos on short-term Treasuries; (v) reverse overnight repos overcollateralized by Treasuries where the issuer is the buyer of securities, subject to certain market terms requirements; (vi) securities issued by a registered investment company or government money market fund that invests only in the assets listed in (i) – (v) above; (vii) other similarly liquid U.S. government-issued assets if approved by the issuer's primary regulator; and (viii) tokenized versions of the above assets.

Issuers will be required to publicly disclose their redemption policies, which must establish clear and conspicuous procedures for timely redemption of outstanding payment stablecoins. They will also be required to publicly, clearly and conspicuously disclose in plain language all fees associated with purchasing or redeeming the payment stablecoins. In addition, issuers will be obligated to publish a monthly reserve report detailing the total number of outstanding payment stablecoins issued and the amount and composition of reserves, including the average tenor and geographic location of custody of each category of reserve instruments. The Chief Executive Officer and Chief Financial Officer of the issuer will be required to certify the accuracy of each month's report, and prior-month reserve reports will be subject to audit by a registered public accounting firm.

### **Requirements for Custody of Payment Stablecoin Reserves, Collateral and Private Keys**

Under the GENIUS Act, only regulated financial institutions supervised by a federal banking agency, the SEC, the CFTC or a state banking supervisor will be allowed to engage in the business of custodial or safekeeping services for payment stablecoins reserves, payment stablecoins used as collateral or the private keys used to issue payment stablecoins. These entities will be subject to customer protection requirements

that require the custodian to treat the customer's stablecoins, private keys, cash and other property as the property of the customer; take steps to protect the assets from the claims of creditors of the custodian; and avoid commingling of customer assets, subject to certain exceptions.

### **Treatment of Foreign Stablecoin Issuers**

The GENIUS Act will not permit issuers located outside of the United States to be licensed as permitted payment stablecoin issuers or to issue stablecoins in the United States.

Digital asset service providers will further be prohibited from offering, selling or making available in the United States a payment stablecoin issued by a foreign stablecoin issuer unless the issuer (i) is subject to a comparable non-U.S. regulatory regime (as determined by the Treasury Secretary); (ii) registers for ongoing monitoring by the OCC; (iii) holds reserves in the United States sufficient to meet U.S. customer liquidity demands (unless otherwise permitted under a reciprocity agreement); (iv) is not domiciled or regulated in a jurisdiction that is subject to comprehensive U.S. economic sanctions or is designated by the United States as a jurisdiction of primary money laundering concern; and (v) complies with lawful orders to seize, freeze, burn or prevent the transfer of outstanding stablecoins.

In determining comparability, the Treasury Secretary will be able to make such a determination only upon a recommendation from each other member of the Stablecoin Certification Review Committee. The Treasury Secretary will also be authorized to enter into reciprocal arrangements or other bilateral agreements between the United States and jurisdictions with comparable payment stablecoin regulatory regimes.

### **Issuer Insolvency and Bankruptcy**

The GENIUS Act amends the Bankruptcy Code to streamline the process by which stablecoin holder claimants can recover from issuers. The Act also clarifies the treatment of insolvency by providing that stablecoin holders' claims against an issuer's reserves will have priority—on a ratable basis with the claims of other holders of such payment stablecoins—over claims by the issuer and any other holder of claims against the issuer. The priority of a holder's claims will apply only to claims arising directly from the holding of payment stablecoins.

### **Effective Dates and Rulemaking**

The GENIUS Act will take effect on the earlier of (i) 18 months after its enactment or (ii) 120 days after the primary federal stablecoin regulators issue final regulations implementing the Act. Upon effectiveness, the prohibition on unlicensed issuance of payment stablecoins will take effect, as will the prohibition on digital asset service

providers dealing in stablecoins from foreign issuers, but the prohibition on dealing by digital asset service providers in payment stablecoins issued by unlicensed U.S. issuers will not take effect until three years after enactment.

The primary federal payment stablecoin regulators, the Treasury Secretary and each state payment stablecoin regulator are directed to promulgate implementing regulations through notice and comment procedures within one year of enactment of the GENIUS Act.

### **Other Notable Provisions**

Other notable provisions of the GENIUS Act include:

- The preemption of state law requirements for chartering, licensing or other authorizations for a permitted payment stablecoin issuer to conduct business in a state (but explicitly does not preempt state consumer protection laws).
- A provision prohibiting federal banking regulators and the SEC from requiring any depository institution, credit union, trust company or affiliate to (i) include as liabilities on the entity's financial statement or balance sheet digital assets (including but not limited to payment stablecoins) held in custody when not owned by the entity or (ii) hold regulatory capital against digital assets or reserves held in custody, except to address operational risk.
- A requirement for the Treasury Secretary to seek public comment and conduct research on innovative or novel methods, techniques or strategies that financial institutions might use to detect illicit activity involving digital assets, which should culminate in public guidance and rulemaking by FinCEN addressing standards for payment stablecoin issuers and digital assets more broadly.
- A direction for 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.
- Annual reporting to Congress and the Treasury Department's Office of Financial Research on the status of the payment stablecoin industry and its financial stability risks.
- Ethics provisions including an express statement that existing ethics rules and laws prohibit any member of Congress or senior executive branch official from issuing a payment stablecoin during their time in public service and an amendment to the



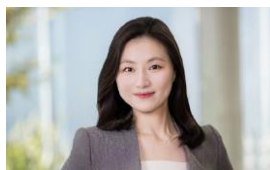
Ethics in Government Act of 1978 to require covered individuals to disclose interests in payment stablecoins that aggregate to more than \$5,000.

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Please do not hesitate to contact us with any questions.



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