Payment Stablecoins Under the GENIUS Act

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Table of Contents

3 Setting the Stage

5 The GENIUS Act

23 OCC Final Rule

39 Treasury Extraterritoriality Rulemaking

45 FDIC Rulemaking

49 FRB Rulemaking

53 Future of Banking: Implications and Opportunities

Setting the Stage

Setting the Stage: Shift in Federal Approach

U.S. Crypto Legislation and Bank Regulatory Landscape

The Trump administration has adopted a marked shift in the federal approach toward the crypto industry.

> "*The digital asset industry plays a crucial role in innovation and economic development in the United States, as well as our Nation's international leadership. It is therefore the policy of my Administration to support the responsible growth and use of digital assets, blockchain technology, and related technologies across all sectors of the economy*."[1]

Crypto regulation is evolving, but significant work remains to build a clear and workable framework.

- **The Guiding and Establishing National Innovation for U.S. Stablecoins Act** ("**GENIUS Act**"), enacted July 2025, regulates issuance and use of stablecoins in the United States.
- **The Digital Asset Market Clarity Act of 2025** ("**CLARITY Act**"), which would have regulated digital asset markets outside of stablecoins, failed to pass the Senate in September 2026, but the Securities and Exchange Commission ("**SEC**") and the Commodity Futures Trading Commission ("**CFTC**") are moving forward with initiatives to provide clarity for digital asset activities under their respective jurisdictions.
- **Federal banking agencies** are moving rapidly to remove barriers and provide clarity.
  - The Office of the Comptroller of the Currency ("**OCC**"), the Federal Reserve Board ("**FRB**") and the Federal Deposit Insurance Corporation ("**FDIC**" and, together with the OCC and the FRB, "**federal banking agencies**") have each rescinded prior digital asset guidance that raised obstacles to banking organization engagement in digital asset activities.
  - The OCC has issued its final rule implementing the GENIUS Act, while the Department of the Treasury ("**Treasury**"), the FDIC and the FRB have issued proposed rules, although many legal interpretive questions remain unresolved.[2]

[1] Executive Order 14178 (Jan. 23, 2025).
[2] *See slides 23–52.*

The GENIUS Act

GENIUS Act: Legal Framework for Payment Stablecoins

Overview

- On July 18, 2025, the GENIUS Act was signed into law by President Trump, following its passage in the House and Senate with broad bipartisan support.[1]
- The GENIUS Act establishes a comprehensive regulatory framework for **payment stablecoins**.[2] While the GENIUS Act addresses only a limited segment of the digital asset ecosystem, its enactment establishes a first-of-its-kind federal framework in the digital asset space.
- The GENIUS Act will:
  - **Regulate** issuance and use 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**" ("**DASPs**")).
  - **Make it unlawful** for any person other than a permitted payment stablecoin issuer ("**PPSI**") to issue a payment stablecoin in the United States.
  - **Prohibit** DASPs from offering or selling payment stablecoins in the United States unless the stablecoin is issued by (i) a PPSI or (ii) a comparably regulated foreign payment stablecoin issuer ("**FPSI**").
- **Exempt Transactions:** The GENIUS Act will not regulate direct peer-to-peer (non-intermediated) transfers or self-custody of payment stablecoins.
- **Rulemaking:** The GENIUS Act directs applicable federal and state regulators to promulgate implementing regulations through notice and comment procedures within one year of enactment.
- **Effective Date:** The GENIUS Act will take effect on January 18, 2027.

[1] 12 U.S.C. 5901 et seq.
[2] For simplicity, we use the term "stablecoins" interchangeably, except where the GENIUS Act is described or quoted directly.

Understanding the GENIUS Act

What Is a Payment Stablecoin?

Payment Stablecoin:

- Digital asset that is, or is designed to be, used as a means of payment or settlement where the issuer:
  - Is obligated to convert, redeem or repurchase the digital asset for a fixed amount of monetary value; and
  - 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.
- Excludes digital assets that are:
  - A national currency;
  - A deposit (including deposits tokenized on a distributed ledger); or
  - A security (and the GENIUS Act separately clarifies that payment stablecoins are not securities).

Prohibitions on Interest Payments:

- PPSIs and FPSIs will be prohibited from paying 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 has been the subject of significant debate given market interest to use rewards programs and other incentives as a differentiating factor to drive consumer demand.
  - The GENIUS Act does not expressly apply to affiliates or business partners of a stablecoin issuer, nor does it clarify when interest or yield might be payable for reasons other than the holding, use or retention of a stablecoin.

No Insurance:

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

Note: The Treasury Secretary is directed 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 GENIUS Act's enactment.

Understanding the GENIUS Act

How Can Entities Become PPSIs?

The GENIUS Act establishes parallel federal and state pathways for eligible entities to be licensed as a PPSI. Applications to the appropriate payment stablecoin regulator will be required.

Path for Federal-Qualified Issuers

- **Eligibility:**
  - Subsidiaries of insured depository institutions (**"IDIs"**)
    - IDIs themselves may issue tokenized deposits that operate similarly to payment stablecoins.
  - Nonbank entities
  - Federal branches of foreign banks
  - Uninsured national banks
- **Primary Regulator:**
  - For a subsidiary of an IDI, the IDI's appropriate federal banking agency
  - For other federal qualified stablecoin issuers, the OCC

Path for State-Qualified Issuers

- **Eligibility:**
  - State issuers with less than $10 billion in outstanding payment stablecoins
    - Once outstanding payment stablecoins exceed $10 billion, state issuers must transition to federal oversight within 360 days, unless granted a waiver (presumptively approved for qualifying preexisting state regimes).
- **Primary Regulator:**
  - State agency with primary regulatory and supervisory authority in the state over entities that issue payment stablecoins, if the state regulator certifies that its regulatory regime is substantially similar to the federal regime, based on principles to be established by the Treasury Secretary.[1]
    - Certifications will be reviewed by the Stablecoin Certification Review Committee (comprised of the Treasury Secretary, the Chair (or Vice Chair for Supervision) of the FRB and the Chair of the FDIC), which must unanimously approve or deny the certification within 30 days if the state-level regulatory regime meets or exceeds the standards and requirements of the federal regime, providing reasons and an opportunity to cure if denied.

Ineligible Issuers:

- Issuers organized outside the United States (*see slide 14* for treatment of foreign stablecoin issuers).
- Public companies that are not predominantly engaged in financial activities, and their majority-owned subsidiaries, unless unanimously approved by the Stablecoin Certification Review Committee.

[1] The Treasury issued a notice of proposed rulemaking (link) on April 1, 2026.

Understanding the GENIUS Act

Key Features by Issuer Type

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 ("**BHC Act**") activity and affiliation limits	Yes; federal regime applies	Only if eligible for master account access under the 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 the 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 regarding foreign banking organization control	Yes; federal regime applies, potentially adjusted for branches	Federal branches of foreign banks are eligible for master account access
State-licensed issuers (subject to $10 billion issuance cap)	Appropriate state regulator, with FRB or OCC backup supervisory authority	If parent is public, must be predominantly engaged in financial activities**	Yes; home state regime applies; must meet or exceed federal standards	Only if eligible for master account access under the FRA

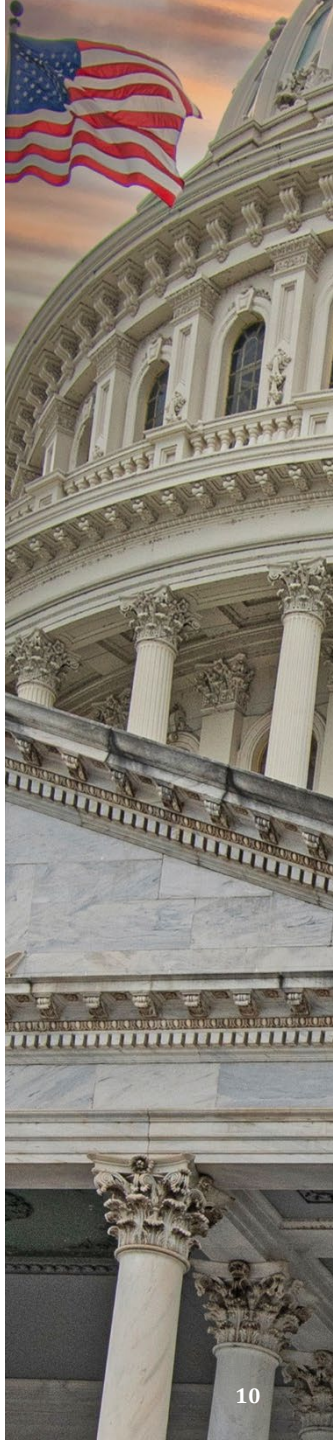
* The GENIUS Act does not change preexisting legal eligibility requirements or FRB guidance regarding its discretion in granting master account access.
** Unless approved by the Stablecoin Certification Review Committee.

Understanding the GENIUS Act

Federal and State Standards for PPSIs

The GENIUS Act mandates that federal regulators create standards for PPSIs. State-qualified payment stablecoin issuers will be subject to "substantially similar" requirements imposed by their home state.

- **Key Requirements:**
  - Reserve requirements (*see slide 11*);
  - Capital and liquidity requirements;
  - Standards for reserve asset diversification and rate risk management;
  - Operational, compliance and IT risk management;
  - Anti-money laundering ("**AML**") and customer due diligence ("**CDD**") requirements (*see slide 13*); and
  - Audit and reporting requirements.
- **Activity Limits:**
  - PPSIs will only be authorized to:
    - Issue and redeem payment stablecoins;
    - Manage related reserves;
    - 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.
  - Issuer's primary stablecoin regulator could authorize an issuer to engage in other payment stablecoin or DASP activities.
- **Key Prohibitions:**
  - Prohibition on paying interest.
  - Prohibition on tying.
  - Prohibition on the use of deceptive names.



Understanding the GENIUS Act

Reserve and Public Disclosure Requirements

One-to-One Reserve:

- PPSIs will be required to maintain identifiable reserves backing their outstanding payment stablecoins on at least a one-to-one basis.

Permitted Reserve Composition	
1	U.S. cash and currency and balances held at a Federal Reserve Bank
2	Funds held as demand deposits (or other deposits that may be withdrawn upon request) at an IDI[1]
3	Short-term Treasury bills, notes or bonds with a remaining maturity or issued with a maturity of 93 days or less
4	Money received under overnight repos on short-term Treasuries
5	Reverse overnight repos overcollateralized by Treasuries
6	Securities issued by a registered investment company or government money market fund that invests only in the assets listed in 1–5 above
7	Other similarly liquid U.S. government-issued assets if approved by the issuer's primary regulator
8	Tokenized versions of the above assets

- PPSIs will be prohibited from pledging, rehypothecating or reusing these reserves, except in limited circumstances.

Public Disclosure:

- PPSIs will be required to:
  - Publicly disclose redemption policies with clear, conspicuous procedures for timely redemption of outstanding payment stablecoins.
  - Publicly, clearly and conspicuously disclose in plain language all fees associated with purchasing or redeeming the payment stablecoins.
  - Publish a monthly reserve report detailing the total number of outstanding payment stablecoins issued and reserve amount and composition, including the average tenor and custody location of each reserve category.
- PPSI Chief Executive Officer (**"CEO"**) and Chief Financial Officer (**"CFO"**) must certify the accuracy of each monthly report, and prior-month reserve reports will be audited by a registered public accounting firm.

[1] Including any foreign branches or agents, including correspondent banks of an IDI, which may permit some non-U.S.-dollar deposits to qualify as reserve assets for non-U.S.-dollar stablecoins.

Understanding the GENIUS Act

Payment Stablecoin Reserves Custody, Collateral and Private Keys

- **Eligibility:**
  - Limited to 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.
- **Permitted Activity:**
  - Eligible financial institutions will be allowed to engage in the business of custodial or safekeeping services for payment stablecoin reserves, payment stablecoins used as collateral or the private keys used to issue payment stablecoins.
- **Requirements:** Custodians 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;
    - Payment stablecoins, reserves, cash and other property of customers may be commingled and deposited in an omnibus account at an IDI or trust company.
  - Take steps to protect the assets from claims of creditors of the custodian; and
  - Avoid commingling of customer assets, subject to certain exceptions.

Understanding the GENIUS Act

Anti-Money Laundering and Sanctions

- Both federal- and state-qualified PPSIs are deemed financial institutions for purposes of the Bank Secrecy Act (**"BSA"**) and will be subject to all federal laws applicable to financial institutions in the United States related to economic sanctions, AML and CDD.
- This includes requirements to maintain an effective AML program, retain appropriate records, monitor for and report suspicious transactions, implement technical capabilities to block impermissible transactions and maintain effective customer identification and sanctions compliance programs.
- Treasury must adopt rules tailored to the size and complexity of PPSIs to implement these requirements.
  - Financial Crimes Enforcement Network (**"FinCEN"**) and Office of Foreign Assets Control issued a joint AML program rule for public comment on April 8, 2026.[1]
  - On June 22, 2026, FinCEN and the federal banking agencies published a proposed rule that would require each PPSI to establish and maintain a written customer identification program.[2]
- Each issuer will be required to submit an annual certification to its regulator that it has implemented AML and economic sanctions compliance programs reasonably designed to prevent the issuer from facilitating money laundering and the financing of terrorist activities.
- PPSIs and FPSIs will need to have the technological capability to comply with the terms of any lawful order to seize, freeze, burn or prevent the transfer of payment stablecoins they had issued.

[1] *See* 91 Fed. Reg. 18582.

[2] *See* 91 Fed. Reg. 37234.

Understanding the GENIUS Act

Treatment of Foreign Stablecoin Issuers

- **Prohibited Issuance in the United States:** The GENIUS Act does not permit issuers organized outside of the United States to be licensed as PPSIs or to issue stablecoins in the United States.
  - Issuers organized in the United States but domiciled outside the United States can still be PPSIs; however, if they are not predominantly engaged in one or more financial activities, they are subject to Section 4(a)(12) certification requirements.
- **Prohibited Offering, Selling or Making Stablecoins Available in the United States:** DASPs will be prohibited from offering, selling or making available a U.S. payment stablecoin issued by an FPSI unless the issuer:
  - Is subject to a comparable non-U.S. regulatory regime (as determined by the Treasury Secretary);
  - Is registered with the OCC under Section 18(c);
  - Holds reserves in the United States sufficient to meet U.S. customer liquidity demands (unless otherwise permitted under a reciprocity agreement);
  - 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
  - Complies with lawful orders to seize, freeze, burn or prevent the transfer of outstanding stablecoins.
- **Comparability:** The Treasury Secretary may make a comparability determination only upon a recommendation from each other member of the Stablecoin Certification Review Committee.
  - "Treasury's role in approving comparable jurisdictions is arguably significant, because weaker restrictions on foreign issuers could limit the [GENIUS Act's] scope and reduce incentives to issue under a U.S. regime."[1]
- **Reciprocity:** The Treasury Secretary is also empowered to enter into reciprocal arrangements or other bilateral agreements with jurisdictions that have comparable regulatory regimes, but the full scope of what those arrangements might address is not defined in the GENIUS Act.

[1] Marc Labonte & Paul Tierno, Cong. Rsch. Serv., IF12984, Key Issues in Stablecoin Legislation in the 119th Congress (2025).

Understanding the GENIUS Act

Other Notable Provisions

PPSI Insolvency and Bankruptcy: The GENIUS Act amends the Bankruptcy Code to streamline the process by which stablecoin holder claimants can recover from nonbank PPSIs.

- Stablecoin holders' claims against PPSIs reserves will have priority—on a ratable basis with claims of other stablecoin holders—over claims by PPSI and any other creditors.
- Priority of holder's claims will apply only to claims arising directly from holding payment stablecoins.

Preemption: Preempts state law requirements for chartering, licensing or other authorization to conduct business in state as a PPSI (but explicitly does not preempt state consumer protection laws).

Federal Regulation Limits: Federal banking regulators and the SEC are prohibited from requiring any depository institution, credit union, trust company or affiliate to:

- Include digital assets (including, but not limited to, payment stablecoins) held in custody as a liability on financial statements; or
- Hold regulatory capital against digital assets or reserves held in custody, except to address operational risk.

Public Involvement: The Treasury Secretary must seek public comment and conduct research on innovative or novel methods, techniques or strategies that detect illicit digital asset activity. Treasury completed this process and issued a report to Congress in March 2026.[1]

Coin Interoperability: Federal and state regulators must consider prescribing standards to promote compatibility and interoperability of payment stablecoins with other permitted stablecoin issuers and the broader digital finance ecosystem.

Annual Reporting: Annual regulator 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 clarifying that existing ethics rules and laws prohibit any member of Congress or senior executive branch official from issuing payment stablecoins while in office and amending the Ethics in Government Act of 1978 to require disclosure of payment stablecoin holdings over $5,000.

[1] Treasury, Report to Congress from the Secretary of the Treasury on Innovative Technologies to Counter Illicit Finance Involving Digital Assets (Mar. 2026).

Understanding the GENIUS Act

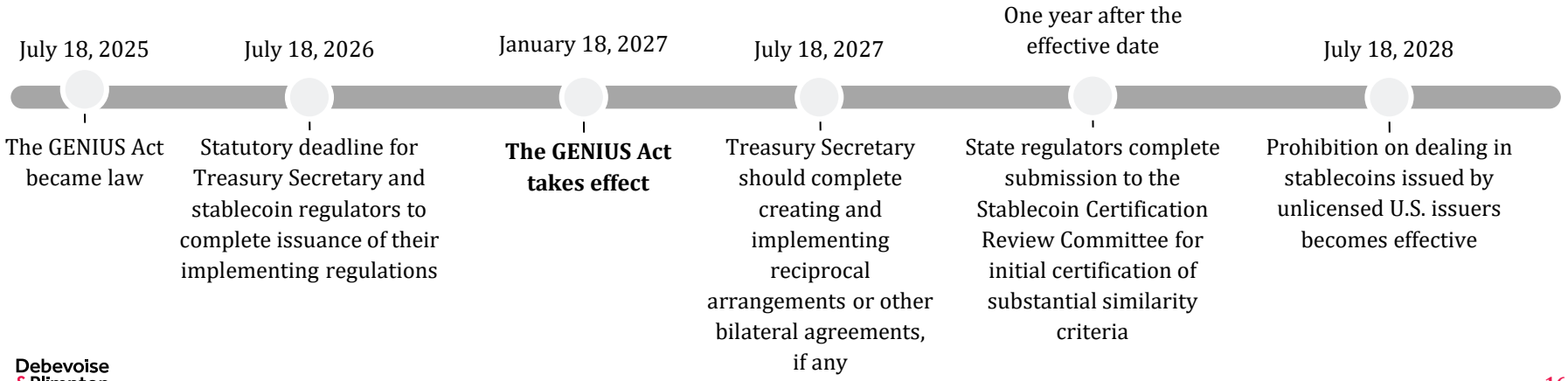
Effective Dates and Rulemaking

- **Implementing Regulations:** Primary federal payment stablecoin regulators, the Treasury Secretary and each state payment stablecoin regulator were directed to promulgate implementing regulations through notice and comment procedures by **July 18, 2026**, but failed to meet this aggressive deadline.
- **Upon effectiveness**, the prohibition on unlicensed issuance of payment stablecoins will take effect.
  - Prohibition on dealing by DASPs in payment stablecoins issued by unlicensed issuers will not take effect until **three years after enactment**.

The GENIUS Act will take effect on January 18, 2027.

Secondary market restrictions on unlicensed stablecoins take effect on July 18, 2028.

Key Timeline



Understanding the GENIUS Act

Treasury Secretary's Rulemaking Requirements

Topic	Authority	Rulemaking	Section	Deadlines	Status
Issuance and treatment of payment stablecoins	Mandatory	Promulgate regulations to carry out the GENIUS Act through appropriate notice and comment rulemaking, including regulations to implement Section 3 and to define terms, in coordination with federal and state payment stablecoin regulators, as appropriate.	3(d), 13	1 year after enactment	Proposed rule issued (Aug. 18, 2026)
Treatment under the BSA and sanctions laws	Mandatory	Adopt rules to treat PPSIs as financial institutions under the BSA and subject them to laws relating to economic sanctions, prevention of money laundering, customer identification and due diligence.	4(a)(5)(B)	1 year after enactment	Proposed rule issued (Apr. 8, 2026)
Principles for determining substantial similarity of state-level regulatory regime	Mandatory	Establish broad-based principles for determining whether a state-level regulatory regime is substantially similar to the federal regulatory framework.	4(c)(2)	1 year after enactment	Proposed rule issued (Apr. 1, 2026)
AML protections—noncompliant foreign issuer	Mandatory	Specify the criteria that a noncompliant foreign issuer must meet for the Treasury Secretary to determine that the FPSI is no longer noncompliant.	8(b)(3)(B)	1 year after enactment	TBD
Exceptions for FPSIs	Mandatory	Issue rules as may be required to carry out Section 18, which requires the Treasury Secretary to determine exceptions for FPSIs that meet certain conditions from the prohibitions under Section 3 and Section 4(a).	18(b)(6)	1 year after enactment	TBD
Limited safe harbors for issuers that are not PPSIs	Discretionary	Issue regulations providing safe harbors from the limitation on issuers to PPSIs. Such safe harbors must be consistent with the purposes of the GENIUS Act, be limited in scope and apply to a de minimis volume of transactions.	3(c)	No deadline specified	Proposed rule issued (Aug. 18, 2026)

Understanding the GENIUS Act

Federal Payment Stablecoin Regulators' Rulemaking Requirements

Regulator	Topic	Authority	Rulemaking	Section	Deadline	Status
Federal regulator	Capital, liquidity and risk management requirements	Mandatory	Issue regulations implementing capital requirements; liquidity standards; reserve asset diversification, including deposit concentration at banking institutions; interest rate risk management standards; and appropriate operational, compliance and information technology risk management principles-based requirements and standards applicable to permitted federal qualified payment stablecoin issuers.	4(a)(4)	1 year after enactment	OCC final rule (Oct. 23, 2026) FDIC proposed rule (Apr. 7, 2026) National Credit Union Administration ("**NCUA**") proposed rule (May 15, 2026) FRB proposed rule (Sept. 29, 2026)
Federal regulator	Payment stablecoin regulatory framework	Mandatory	Issue regulations relating to PPSIs as may be necessary to establish a payment stablecoin regulatory framework necessary to administer and carry out the requirements of Section 4, including to establish conditions, and to prevent evasion thereof, in coordination with the Treasury Secretary and state payment stablecoin regulators, as appropriate.	4(h)	1 year after enactment	OCC final rule (Oct. 23, 2026) FDIC proposed rule (Apr. 7, 2026) NCUA proposed rule (May 15, 2026) FRB proposed rule (Sept. 29, 2026)
Federal regulator	Application process and framework for licensing, regulation, examination and supervision	Mandatory	Issue regulations regarding a process and framework for the licensing, regulation, examination and supervision for federal qualified payment stablecoin issuers.	5(a)(2)	1 year after enactment	FDIC proposed rule (Dec. 16, 2025) NCUA proposed rule (Feb. 11, 2026) OCC final rule (Oct. 23, 2026) FDIC proposed rule (Apr. 7, 2026) FRB proposed rule (Sept. 29, 2026)

Understanding the GENIUS Act

Federal Payment Stablecoin Regulators' Rulemaking Requirements (cont'd)

Regulator	Topic	Authority	Rulemaking	Section	Deadline	Status
Federal regulator	Issuance of payment stablecoins	Mandatory	Issue rules necessary for the regulation of the issuance of payment stablecoins but may not impose requirements in addition to the requirements specified under Section 4.	5(g)	1 year after enactment	OCC final rule (Oct. 23, 2026) FDIC proposed rule (Apr. 7, 2026) FRB proposed rule (Sept. 29, 2026) NCUA proposed rule (Feb. 11, 2026) NCUA proposed rule (May 15, 2026)
FRB, OCC	Enforcement authority in unusual and exigent circumstances	Mandatory	Issue rules to set forth the unusual and exigent circumstances in which the FRB and OCC, respectively, may make an enforcement action under Section 7.	7(e)(1)(B); (2)(B)	1 year after enactment	OCC final rule (Oct. 23, 2026) FRB proposed rule (Sept. 29, 2026)
Federal regulator	Exceptions to prohibited commingling	Discretionary	Prescribe terms and conditions by rule, regulation or order that allow commingling of payment stablecoin reserves, payment stablecoins, cash and other property.	10(c)(2)(C)	1 year after enactment	OCC final rule (Oct. 23, 2026) FDIC proposed rule (Apr. 7, 2026) FRB proposed rule (Sept. 29, 2026) NCUA proposed rule (May 15, 2026) Other rules TBD
Federal regulator	Interoperability Standards	Discretionary	Prescribe standards for PPSIs to promote compatibility and interoperability with other PPSIs and the broader digital finance ecosystem.	12	1 year after enactment	TBD

Understanding the GENIUS Act

Federal Payment Stablecoin Regulators' Rulemaking Requirements (cont'd)

Regulator	Topic	Authority	Rulemaking	Section	Deadline	Status
Federal regulator	Issuance and treatment of payment stablecoins	Mandatory	Promulgate regulations to carry out the GENIUS Act through appropriate notice and comment rulemaking, in coordination with the Treasury Secretary and state payment stablecoin regulators, as appropriate.	13	1 year after enactment	OCC final rule (Oct. 23, 2026) FDIC proposed rule (Apr. 7, 2026) FRB proposed rule (Sept. 29, 2026) NCUA proposed rule (Feb. 11, 2026)
Federal regulator	Review of existing guidance and regulations	Mandatory	Review all existing guidance and regulations and, if necessary, amend or promulgate new regulations and guidance, to clarify that regulated entities are authorized to engage in such activities and investments under the GENIUS Act.	16(b)	1 year after enactment	OCC final rule (Oct. 23, 2026) FDIC proposed rule (Apr. 7, 2026) FRB proposed rule (Sept. 29, 2026) NCUA proposed rule (Feb. 11, 2026) NCUA proposed rule (May 15, 2026)
OCC	Registration of FPSIs	Mandatory	Issue rules relating to the standards for approval of registration requests and the process for appealing denials of such registration requests.	18(c)(1)(E)	1 year after enactment	OCC final rule (Oct. 23, 2026)

Understanding the GENIUS Act

State Payment Stablecoin Regulators' Rulemaking Requirements

Regulator	Topic	Authority	Rulemaking	Section	Deadline
State regulator	Capital, liquidity and risk management requirements	Discretionary	Issue regulations implementing capital requirements; liquidity standards; reserve asset diversification, including deposit concentration at banking institutions; interest rate risk management standards; and appropriate operational, compliance and information technology risk management principles-based requirements and standards applicable to permitted state-qualified payment stablecoin issuers.	4(a)(4)(A)	1 year after enactment
State regulator	Issuance and treatment of payment stablecoins	Discretionary	Promulgate regulations to carry out the GENIUS Act through appropriate notice and comment rulemaking, in coordination with the Treasury Secretary and federal and other state payment stablecoin regulators, as appropriate.	13	1 year after enactment
State regulator	Payment stablecoin regulatory framework	Discretionary	Issue regulations relating to PPSIs as may be necessary to establish a payment stablecoin regulatory framework necessary to administer and carry out the requirements of Section 4, including to establish conditions and to prevent evasion thereof.	4(h)	1 year after enactment
State regulator	Process and framework for the licensing, examination, supervision and enforcement	Discretionary	Issue orders and rules under Section 4 applicable to state-qualified payment stablecoin issuers to the same extent as the primary federal payment stablecoin regulators issue orders and rules under Section 4 applicable to PPSIs that are not state-qualified payment stablecoin issuers.	7(d)	1 year after enactment

Understanding the GENIUS Act

Other Rulemaking Requirements

Regulator	Topic	Authority	Rulemaking	Section	Deadline	Status
Federal banking agency	Capital, liquidity and risk management requirements	Mandatory	Amend or otherwise modify any regulation of the appropriate federal banking agency relating to leverage capital requirement or risk-based capital requirements.	4(a)(4)(C)(iv)	Earlier of 1 year after enactment or the date of federal regulations	OCC final rule (Oct. 23, 2026) FDIC proposed rule (Apr. 7, 2026) FRB proposed rule (Sept. 29, 2026)
Stablecoin Certification Review Committee	Non-financial service public company	Mandatory	Issue an interpretive rule clarifying the application of the prohibitions on nonfinancial service public companies.	4(a)(12)(D)	1 year after enactment	TBD
OCC	Regulation of a federally qualified payment stablecoin issuer	Mandatory	Issue regulations and orders as necessary to ensure financial stability and implement Section 4(a) of the GENIUS Act in coordination with other relevant regulators and consistent with Section 13.	4(b)(3)	1 year after enactment	OCC final rule (Oct. 23, 2026)
FinCEN	AML innovation	Mandatory	Issue public guidance and notice and comment rulemaking, based on the results of the research and risk assessments required under Section 9, relating to (1) innovative or novel methods, techniques or strategies used by regulated financial institutions to detect illicit activity involving digital assets; (2) standards for payment stablecoin issuers to identify and report illicit activity involving the payment stablecoin of a PPSI; (3) standards for payment stablecoin issuers' systems and practices to monitor transactions on blockchains, digital asset mixing services, tumblers or other services that mix payment stablecoins and obscure parties' identities or transaction details; and (4) tailored risk management standards for financial institutions interacting with decentralized finance protocols.	9(d)	3 years of enactment	TBD
FRB	Prohibition on tying	Discretionary	Issue regulations as are necessary to carry out prohibition on tying and, in consultation with other relevant primary federal payment stablecoin regulators, by regulation or order, permit exceptions as the FRB considers will not be contrary to the purpose of the GENIUS Act.	4(a)(8)(B)	1 year after enactment	FRB proposed rule (Sept. 29, 2026)

OCC Final Rule

OCC's Final Rule for Supervised PPSIs and FPSIs

Introduction

- On October 23, 2026, the OCC issued its final rule establishing a regulatory framework for OCC-regulated PPSIs and FPSIs.[1]
  - This is the first final federal rulemaking to address substantive requirements for payment stablecoin issuers.
- While tracking the GENIUS Act closely, the OCC used the rulemaking process as an opportunity to provide an interpretive lens to many of the self-executing provisions of the GENIUS Act.
- The final rule closely tracks the OCC's notice of proposed rulemaking but liberalized the proposed rule in a few areas.
- The OCC final rule adds a new Part 15 to the OCC's regulations and makes conforming revisions to 12 C.F.R. Parts 3 (capital), 6 (prompt corrective action), 8 (assessments) and 19 (practice and procedure for adjudicatory proceedings).

OCC-Regulated Entities Under the GENIUS Act

Bank-affiliated PPSIs (uninsured national banks, federal branches of foreign banks and the subsidiaries of national banks and federal savings associations)

Federal nonbank PPSIs

State-licensed PPSIs transitioned to federal oversight

FPSIs with compatible home-country oversight

[1] *See* 91 Fed. Reg. 67000. See *also* Debevoise client alert, "OCC Finalizes GENIUS Act Rulemaking: Considerations for PPSIs, FPSIs, and Custodians," *available* here.

OCC's Final Rule for Supervised PPSIs and FPSIs

Overview

For institutions under the OCC's jurisdiction, the OCC final rule addresses almost all of the regulations the OCC is required to promulgate under the GENIUS Act, other than those relating to the BSA and economic sanctions requirements:

- **Registration Procedures and Requirements** for PPSIs under OCC supervision and all comparably regulated FPSIs.
- **Examination Procedures and Disclosure and Reporting Obligations** for PPSIs and FPSIs and related assessments.
- **Reserve Asset Composition and Diversification** requirements for PPSIs and standards for **Timely Redemptions** of outstanding payment stablecoins.
- **Standards for OCC-Regulated Custodians and Sub-Custodians** that provide custodial or safekeeping services with respect to payment stablecoins and payment stablecoin reserves.
- **Prudential and Risk Management Standards** for PPSIs, including minimum capital requirements, principles-based risk management requirements, activities restrictions and information technology and security standards.
- **Regulation and Supervision of FPSIs** that are allowed to make their payment stablecoins available in the United States.

OCC's Final Rule for Supervised PPSIs and FPSIs

Permitted and Prohibited Activities

The OCC final rule largely incorporates the list of permitted activities under the GENIUS Act.

Permitted Activities	
1	Issue payment stablecoins
2	Redeem payment stablecoins
3	Manage reserves related to the issuance or redemption of payment stablecoins, including purchasing, selling and holding, or providing custodial services for reserve assets, consistent with applicable state and federal law
4	Provide custodial or safekeeping services for payment stablecoins, required reserves or private keys of stablecoins
5	Assess fees associated with purchasing or redeeming payment stablecoins
6	Act as principal or agent with respect to any payment stablecoin
7	Pay fees to facilitate customer transactions
8	Hold non-payment-stablecoin digital assets as principal to pay transaction or network fees or conduct necessary distributed-ledger testing as necessary for the conduct of such activities
9	Establish trust arrangements over reserve assets for the benefit of stablecoin holders, subject to safeguards protecting redemption and insolvency rights
10	Manage foreign-exchange risk, subject to OCC approval
11	Undertake any other activities that directly support any of the activities listed in 1–4 (e.g., holding of non-payment stablecoin crypto-assets as principal necessary for testing a distributed ledger whether internally developed or acquired from a third party)

Prohibited Activities	
1	Use a deceptive name by using any combination of terms relating to the United States government
2	Market a payment stablecoin in a way that a reasonable person would perceive the payment stablecoin to be (i) legal tender as described in 31 U.S.C. 5103; (ii) issued by the United States; or (iii) guaranteed or approved by the government of the United States
3	Directly or through implication represent that payment stablecoins are backed by the full faith and credit of the United States, guaranteed by the United States government or subject to federal deposit insurance or federal share insurance
4	Pay any payment stablecoin holder 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 (*see slide 27*)
5	Pledge, rehypothecate or reuse any reserve assets required either directly or indirectly (e.g., through a third-party custodian of the reserve assets) except for certain limited purposes

OCC's Final Rule for Supervised PPSIs and FPSIs

Prohibition on Paying Interest or Yield

The OCC's final rule implements, but does not elaborate or expand upon, the GENIUS Act prohibition on issuers paying interest or yield.

The OCC's notice of proposed rulemaking would also have introduced a rebuttable presumption that certain contractual arrangements, under which an affiliate or related third party pays interest or yield, would be attributed to the PPSI or FPSI and therefore be prohibited.

The OCC's final rule eliminates the proposed rebuttable presumption, concluding that it could be both overinclusive and underinclusive.

The OCC's final rule's adopting release states that indirect payments may nevertheless violate the statutory prohibition, including where an agent pays interest or yield on the issuer's behalf, and preserved its authority to address arrangements designed to evade the prohibition as such situations come before the OCC and are evaluated on their specific facts and circumstances.

Following the failure to pass the CLARITY Act, treatment of indirect payments, interest or yield remains a contested question.

OCC's Final Rule for Supervised PPSIs and FPSIs

Reserve Asset Requirements

The GENIUS Act requires PPSIs to maintain identifiable reserves backing outstanding payment stablecoins on at least a one-to-one basis with permissible reserve assets (*see slide 11*).

The OCC final rule requires PPSIs to:

- Maintain reserve assets that:
  - Are identifiable;
  - Are segregated from and not commingled with other assets owned or held by the PPSI;
  - Have a reserve asset value that equals or exceeds the outstanding issuance value of the PPSI at all times and a reserve asset portfolio capable of supporting timely redemption in normal and adverse conditions; and
    - Reserve asset value is generally measured using the fair value of reserve assets, net of associated liabilities, and the total face value of reserve assets comprising U.S. coins and currency.
    - The "at-all-times" reserve asset value requirement may, as a practical matter, require real-time valuation controls and a reserve cushion to absorb ordinary market movements in permitted reserve assets.
  - Are either held directly by the PPSI or within the custody of an eligible financial institution.
- Demonstrate the operational capability to access and monetize the identifiable reserve assets to meet redemptions, in normal and adverse conditions, commensurate with risk profile and business model.
- May withdraw any surplus reserve assets in excess of outstanding issuance value at any time after appropriate due diligence and confirmation the withdrawal will not cause the reserve asset value to fall below the PPSI's outstanding issuance value.

OCC's Final Rule for Supervised PPSIs and FPSIs

Reserve Asset Liquidity and Diversification Standards

- The OCC final rule adopts mandatory minimum requirements for reserve asset liquidity and diversification standards.
- A PPSI must maintain at least 5% of its reserve assets as demand deposits, funds in share accounts or money held in Federal Reserve Bank accounts.
- No more than 40% of a PPSI's reserve assets may be held at any one counterparty, subject to the following exceptions:
  - Exposures to the U.S. government;
  - Exposures to a custodian, as long as the PPSI identifies its status as a PPSI to the custodian, ensures the custodian complies with relevant provisions of the GENIUS Act and the PPSI conducts appropriate diligence and ongoing monitoring; and
  - Exposures to centrally cleared repurchase and reverse repurchase agreements.
- The OCC reserves the right to require a PPSI to maintain a portfolio of reserve assets that exceed the mandatory minimum requirements depending on the PPSI's risk profile and business model.

OCC's Final Rule for Supervised PPSIs and FPSIs

Reserve Asset Composition Report and Certification

- **Monthly Composition Report:** The OCC final rule requires PPSIs to publish a monthly composition report containing the following:
  - The total number of outstanding payment stablecoins issued by the issuer; and
  - The fair value amount and composition of the reserves, including the average tenor and geographic location of custody of each category of the reserve instruments.
- **Monthly Certification:** The OCC final rule requires a PPSI's monthly composition report to be examined by a registered public accounting firm and certified by the CEO and CFO.

Failure to satisfy reserve asset requirements described in slides *28–30*, even for one day, results in immediate suspension of any new issuances.

- A PPSI that fails to meet reserve requirements for 15 consecutive business days must begin liquidation of reserve assets and redemption of outstanding payment stablecoins.

OCC's Final Rule for Supervised PPSIs and FPSIs

Redemption Requirements

Consistent with the GENIUS Act, the OCC final rule requires each PPSI to publish a public redemption policy with instructions for "timely" redemption of payment stablecoins (*see slide 11*).

- The OCC's final rule defines "timely" as within **two business days** of requested redemption.
  - The redemption period begins upon receipt of a redemption order and satisfaction of conditions necessary to permit redemption. Where redemption involves an outgoing transfer of monetary value, redemption is deemed completed when the PPSI has fully processed and initiated the transfer.
- Under the OCC final rule, a PPSI must notify the OCC within 24 hours if it receives redemption requests exceeding 10% of its outstanding issuance value in a 24-hour period and may request that the OCC extend the timeframe for timely redemption.
  - The OCC can decide whether to grant or deny a redemption extension request in its sole discretion, or may otherwise impose limitations upon timely redemption.

- Only the OCC—or, for a state-qualified payment stablecoin issuer, the OCC, FRB or applicable state regulator—may place a limit on redemptions.

OCC's Final Rule for Supervised PPSIs and FPSIs

Cybersecurity Risk Management Standards and Customer Notification Requirements

The OCC final rule requires a number of measures related to information technology and cybersecurity risk management given the innate vulnerabilities and risks present in a digital environment.

These measures include:

- Maintaining a board-approved comprehensive risk and control framework for information security;
- Appointing a person responsible for the PPSI's information technology and security program;
- Maintaining safeguards to ensure personally identifiable information is kept secure and protected against cybersecurity threats or unauthorized access;
- Maintaining backup recovery measures;
- Putting into place a business continuity plan in the event of disruptions; and
- Evaluating and adjusting its information technology and security program based on the PPSI's ongoing monitoring of its program.

The OCC final rule requires PPSIs to provide notice to both the OCC and its affected customer(s) if it becomes aware of unauthorized access to sensitive customer information, including a customer's private key, and determines that misuse of its information about a customer has occurred or is reasonably possible.

OCC's Final Rule for Supervised PPSIs and FPSIs

Custody Requirements

- The OCC final rule requires that a "covered custodian" meet certain custody requirements when holding "covered assets" including:
  - Separately accounting for the covered assets of a covered customer and treating and dealing with those covered assets as belonging to such covered customer and not as the property of the covered custodian; and
    - Omnibus accounts may be used as long as assets are not commingled with those of the covered custodian.
  - Taking appropriate steps to protect the covered assets of covered customers from the claims of creditors of the covered custodian and any sub-custodian, as applicable, including through adopting, implementing and maintaining written custody agreements and policies, procedures and internal controls commensurate with its size, complexity and risk profile.
- The covered custodian must maintain possession or control of covered customer assets held directly by it, including assets held in a digital wallet for which the covered custodian controls the associated private key.
  - A sub-custodian may be used if consistent with applicable law, provided the covered custodian maintains adequate safeguards and internal controls reasonably designed to provide the covered custodian with oversight of such sub-custodian's compliance.
  - A national bank, federal savings association, federal branch or PPSI may provide self-custody hardware and software, provided that it does not control the covered assets, nor hold itself out as doing so.

"Covered assets" means, with respect to payment stablecoins offered, sold or otherwise made available in the U.S., payment stablecoin reserves, payment stablecoins used as collateral (where the covered custodian has actual knowledge it is collateral) and private keys used to issue payment stablecoins, as well as cash and other property received in the course of the provision of custodial or safekeeping services for such assets.

"Covered custodian" means a national bank, federal savings association, federal branch or PPSI to the extent of such person's provision of custodial or safekeeping services for covered assets.

OCC's Final Rule for Supervised PPSIs and FPSIs

Licensing Process, Review Timing and Safe Harbor for PPSI

Application: PPSI licensing process models the OCC's national bank charter application framework. An applicant would be required to submit all information required by an application form that would become available on the OCC's website and the information prescribed in the Interagency Biographical and Financial Report for each director, executive officer and principal shareholder of the applicant and must certify whether the GENIUS Act provisions on non-financial services public companies apply.

Timeline: The OCC will review an application for substantial completeness within 30 days of receipt. Upon receipt of a substantially complete application, the OCC has 120 days to reach a decision, after which the application would be approved by default if not specifically denied. If an applicant does not submit a revised application 60 days after receiving notice that the application is not substantially complete, the OCC will return the application without a decision.

The OCC clarified that any payment stablecoin issuer currently operating in the United States with a pending substantially complete PPSI application with the OCC before January 18, 2027, may request a waiver from the OCC.

OCC Decision: The OCC may deny an application only if it determines that the applicant would operate in an unsafe or unsound manner based on applicable review factors, and denied applicants may request a hearing under a *de novo* standard of review. An applicant who has been denied can file a subsequent application. The final rule also allows the OCC to conditionally approve an applicant.

Safe Harbor for Pending Applications: The OCC implements the GENIUS Act's safe harbor, permitting the OCC to waive, for up to 12 months, certain requirements for applicants with pending applications where the OCC finds that the waiver is in the public interest or justified by extraordinary circumstances.

OCC's Final Rule for Supervised PPSIs and FPSIs

Standards for FPSIs

The OCC final rule establishes registration and supervisory requirements for qualifying FPSIs seeking to issue, offer or sell payment stablecoins in the United States, subject to receipt of a Section 18 comparability determination (*see slide 14*)**.**

As conditions to approval, the OCC requires the following:

- Full access to books, records and personnel (with English translations);
- A certification as to whether the GENIUS Act provisions on non-financial services public companies apply.
- Monthly reporting on the total number of outstanding payment stablecoins held by U.S. customers and the amount and composition of reserves, including geographic location; and
- Evidence of sufficient U.S.-located reserves, which may be addressed in one of four ways:
  - An attestation that less than 50% of outstanding issuance value is held by U.S. holders and maintaining reserves in eligible financial institutions incorporated or organized in the United States equal to at least 50% of outstanding issuance value;
  - An attestation that it holds substantially all reserves in eligible U.S. financial institutions and holding substantially all of its reserves in eligible financial institutions incorporated or organized in the United States.
  - Demonstrating that U.S.-located reserves can support timely U.S. customer redemption requests under normal and adverse economic conditions, including buffers where necessary; or
  - Obtaining OCC approval of an alternative compliance proposal.

While most Section 4(a) requirements do not apply to FPSIs, the reporting, supervision and examination requirements required by the OCC are largely the same as those applicable to domestic PPSIs regulated by the OCC.

OCC's Final Rule for Supervised PPSIs and FPSIs

Capital and Operational Backstop Requirements

Capital Requirements:

- The OCC final rule adopts a principles-based capital framework, with capital measured by U.S. GAAP equity accounts, less specified deductions, including intangible assets, deferred tax assets and the equity-funded portion of the required operational backstop.
- Capital requirements for *de novo* PPSIs will be established as part of OCC licensing or chartering conditions, subject to a $5 million minimum, generally for the first 36 months.
- Following the de novo period, PPSIs must maintain capital commensurate with their risk profile, including off-balance-sheet exposures, subject to a continuing $5 million minimum.

Operational Backstop Requirements:

- PPSIs must maintain a separately identified pool of eligible liquid assets equal to 12 months of total expenses, distinct from required stablecoin reserves.
  - Calculated pursuant to the PPSI's quarterly expense reports, and for each quarter during which the PPSI has not filed a report, calculated using actual expenses, if in operation, or reasonably determined expenses, less one-time expenses unrelated to the PPSI's ongoing operations with prior written approval from the OCC.
- Eligible assets include U.S. cash and currency and balances held at a Federal Reserve Bank, insured demand deposits at U.S. IDIs and Treasury bills or bonds with a maturity of 93 days or less.
- The final rule permits qualifying subordinated debt to fund up to 50% of the operational backstop, subject to specified conditions, including a minimum five-year maturity and restrictions on repayment and affiliate funding.

If a PPSI does not meet its capital or backstop requirements, it must notify the OCC within 24 hours of such capital or backstop shortfall. A PPSI remaining noncompliant at quarter-end generally must cease new issuance beginning the following month; noncompliance at the end of two consecutive quarters triggers liquidation and redemption requirements.

The OCC may permit continued operations following certain temporary operational-backstop shortfalls, subject to a viable remediation plan.

OCC's Final Rule for Supervised PPSIs and FPSIs

Other Notable Provisions from the OCC Final Rule

Foreign Exchange Risk Management

PPSIs issuing non-U.S.-dollar-denominated payment stablecoins must hedge residual foreign exchange risk identified through stress testing and reserve monetization analyses, with hedging designed to retain no more than minimal FX exposure.

- FX risk management activities require prior OCC approval and may not be used for speculative purposes. PPSIs must maintain policies and procedures addressing associated risks, including counterparty, margin and basis risks.

Reserve Monetization and Stress Testing

PPSIs must demonstrate the ability to access and monetize reserve assets to meet redemption demands under normal and stressed conditions, taking into account market access, financing channels, haircut assumptions and operational readiness.

- PPSIs must conduct regular stress testing of reserve portfolios to confirm that their reserve asset value remains equal to or greater than the outstanding issuance value in stressed conditions, including significant increases in interest rates.

Activities Authorized Under Other Applicable Law

Under the GENIUS Act's rule of construction, limits on a PPSI's activities would not restrict the authority of a depository institution, national bank or trust company to engage in activities otherwise permissible under applicable state and federal law.

- A PPSI that is an uninsured national bank could engage in fiduciary, trust and related activities consistent with applicable law, potentially expanding boundaries of permitted activities for certain PPSIs.

State-Qualified Payment Stablecoin Issuers

The OCC final rule sets forth a pathway for state-qualified payment stablecoin issuers to transition to a federal regulatory framework if the issuer is a nonbank entity that has an outstanding par value issuance of more than $10 billion.

- The OCC may also impose restrictions on a state-qualified payment stablecoin issuer that is a nonbank entity during "unusual and exigent circumstances."

Areas Not Covered by the OCC's Final Rule

The OCC final rule represents only a portion of rulemakings needed to completely implement the GENIUS Act.

Key areas that were not addressed by the OCC final rule include:

- Treasury rulemaking on core prohibitions, definitions and safe harbors on stablecoin issuances and offerings.
- Offerings and issuances of stablecoins by financial institutions that will not be primarily regulated by the OCC.
- How to assess the comparability of state-level and foreign regimes.
- BSA/AML and sanctions requirements.

Treasury's Extraterritoriality Rulemaking

Treasury's Proposed Implementation of Section 3 & Related Safe Harbors

Overview of the Proposed Rulemaking

- On August 18, 2026, Treasury issued a notice of proposed rulemaking (**the "Treasury NPR"**) to implement Section 3 of the GENIUS Act.
  - Section 3 regulates the ability of issuers to issue payment stablecoins in the United States and for DASPs to offer and sell payment stablecoins to persons located in the United States.
- The Treasury NPR would further define when issuers and DASPs would be deemed to be issuing and selling payment stablecoins within the United States in violation of Section 3.
- It would add a new 12 CFR Part 1523 that:
  - Defines key terms, including "issue," "issuer," "located in the United States" and "offer";
  - Clarifies that issuers and DASPs are not mutually exclusive categories, so an issuer may also qualify as a DASP and be regulated as both;
  - Implements the limits on issuance (Section 3(a)) and on DASP offers and sales (Section 3(b));
  - Sets out exemptions, safe harbors and illustrative interpretations; and
  - Has extraterritorial effect where conduct involves an offer or sale to a person located in the U.S.

Treasury's Proposed Implementation of Section 3(a)

Issuance "in the United States"

- Section 3(a) of the Act makes it unlawful for anyone other than a PPSI to **issue** a payment stablecoin "in the United States," and Section 3(f) provides **criminal penalties** for issuing or **"knowing participation"** in an unlawful issuance under 3(a).
- The Treasury NPR would adopt a **location-based approach to issuance**. An issuance would be considered to be in the United States only if, at the time of issuance, either (i) the issuer is located in the United States or (ii) the stablecoin is issued to a person located in the United States.
  - **Individuals:** An individual would be deemed to be located in the United States when physically present in the United States, provided that non-residents temporarily traveling in the United States and U.S. residents temporarily traveling abroad would be excluded.
  - **Entities:** Entities (either an issuer or purchaser) would be deemed to be located in the United States if (i) it is organized under the laws of the United States or a state located within, or (ii) its principal place of business is in the United States.
- The Treasury NPR does not define "knowing participation" in an unlawful issuance but it provides three non-exhaustive examples:
  - Incurring an obligation to convert, redeem or repurchase the payment stablecoin, including a secondary obligation on behalf of the original issuer;
  - Coordinating with the issuer on key issuance steps, such as soliciting customers or minting; and
  - Acting as market maker for, distributing or otherwise making available for secondary trading the newly issued payment stablecoins.
    - Treasury generally does not intend to capture secondary-market trading that does not occur at or around the point of issuance.
- The Treasury NPR would also clarify that an FPSI that receives a comparability determination under Section 18 of the Act may issue payment stablecoins in the United States, but it does not address the framework Treasury will use to decide whether a foreign regime is comparable.

Section 3(a) Related Safe Harbors

Issuance Safe Harbor and Exemptions

- The Treasury NPR would provide a safe harbor for issuers that may inadvertently issue to a person in the United States, if four conditions are met:
  - The issuer is not located in the United States;
  - The issuer reasonably believes each recipient is not located in the United States;
  - The issuer has adopted, implemented and periodically updates policies, procedures, and controls reasonably designed to avoid issuing to anyone in the United States; and
  - The issuer does not engage in advertising or solicitation that targets, or could reasonably be expected to target, persons in the United States.

Treasury's Proposed Implementation of Section 3(b)

DASPs Offering or Selling to Persons Located in the United States

- The Treasury NPR would implement the two prohibitions on DASP activity contained in Section 3(b) of the Act:
  - Under Section 3(b)(1), beginning on July 18, 2028, a DASP may not "offer or sell a payment stablecoin to a person in the United States" unless issued by a PPSI or an FPSI that satisfies the criteria of Section 18(a) of the Act.
  - Under Section 3(b)(2), from the Act's effective date, a DASP may not offer, sell or make available in the United States an FPSI's payment stablecoin unless the FPSI has the technological capability to comply, and will comply, with lawful orders and reciprocal arrangements under Section 18 of the Act.
  - As implemented by the Treasury NPR, both prohibitions apply to offers and sales to "persons located in the United States."
- The Treasury NPR suggests Treasury intends to take an expansive approach to the prohibition on offers and sales, providing five non-exhaustive examples:
  - Directly soliciting a person located in the United States;
  - Advertising the payment stablecoin as available for purchase by persons located in the United States;
  - Responding to an unsolicited inquiry from a U.S. person located in the United States with an indication of willingness to sell;
  - Advising potential purchasers on how to evade location detection or blocking tools (for example, IP address checkers); and
  - Contracting to sell to a person in the United States, regardless of the form of payment or when the stablecoin is delivered.
- The Treasury NPR would also clarify that an offer can include making available for purchase, sale or exchange payment stablecoins that have not yet been issued.

Treasury's Proposed Implementation of Section 3(b)

DASP Safe Harbor and Reliance Standards

- As with issuance, the Treasury NPR would provide a safe harbor from Section 3(b) of the Act for inadvertent offers and sales to persons located in the United States, where a DASP:
  - Reasonably believes the person to whom the payment stablecoin is offered or sold is not located in the United States;
  - Has adopted and implemented reasonably designed policies, procedures and controls to avoid offering, selling or making a payment stablecoin available to persons in the United States; and
  - Does not engage in advertising or solicitation that targets, or could be expected to target, persons located in the United States.
- DASPs would be permitted to rely on an FPSI's representation that it can and will comply with lawful orders and reciprocal arrangements in order to demonstrate compliance with Section 3(b)(2).
  - In order to establish reliance, a DASP would be required to conduct reasonable due diligence regarding the representation, which at a minimum would include confirming that Treasury has not banned secondary trading of the FPSI's stablecoins under Section 8 of the Act (Treasury's power to designate FPSIs that fail to comply with lawful orders).
  - Reliance would not be available if the DASP knows, has reason to know or should know that the representation is false or that the FPSI cannot or will not comply, based on such due diligence or other information reasonably available to the DASP.

FDIC Rulemaking

FDIC's Proposed Rules for Supervised PPSIs

Summary

- On April 7, 2026, the FDIC issued a comprehensive notice of proposed rulemaking ("**FDIC NPR**"),[1] which would:
  - Establish a regulatory framework for FDIC-supervised PPSIs, including requirements related to reserve assets, capital, liquidity and risk management requirements;
  - Implement requirements applicable to FDIC-supervised PPSIs and IDIs that provide payment stablecoin-related custodial and safekeeping services;
  - Clarify that deposits held at an IDI as payment stablecoin reserves would be insured to PPSIs under the FDIC insurance coverage rules for corporate deposits, and would not be insured to payment stablecoin holders on a pass-through basis; and
  - Clarify the treatment of tokenized deposits under the Federal Deposit Insurance Act.

FDIC-Supervised Entities Under the GENIUS Act

- Subsidiaries of insured state nonmember banks
- Subsidiaries of state savings associations

- The FDIC NPR would amend parts 324 (capital adequacy of FDIC-supervised institutions), 330 (deposit insurance coverage) and 350 (payment stablecoins) of the FDIC's regulations.
- The FDIC NPR largely aligns with the OCC final rule where relevant and explicitly seeks comment on whether the agencies should further harmonize their final rules (*see slides 47–48*).

[1] GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions, 91 Fed. Reg. 18534 (Apr. 10, 2026), *available* here.

FDIC's Proposed Rules for Supervised PPSIs

Key Issues and Differences from the OCC Final Rule

Key FDIC NPR Takeaways	Compared with OCC Final Rule
Tokenized deposits could be treated as "deposits" for FDIC insurance purposes. The FDIC NPR would clarify that the technology used to record a deposit does not affect deposit status and define "deposits" to include deposits in tokenized form.	Distinct FDIC issue. Not addressed in the OCC final rule.
Stablecoin reserves held as deposits at an IDI would be **treated as deposits of the PPSI and insured as corporate deposits**.	Distinct FDIC issue. Not addressed in the OCC final rule.
The FDIC NPR would impose a simpler reserve framework. Reserves would have to be identifiable, fully back outstanding stablecoins and generally be separately identifiable by brand unless the FDIC approves commingling. Exposure to any one eligible financial institution would be capped at 40% of reserve assets on each business day.	OCC final rule includes a simple reserve framework, exposure to any one counter party is capped at 40% of reserve assets, and a PPSI must maintain at least 5% of its reserve assets as demand deposits, funds in share accounts payable on demand, or balances at a Federal Reserve Bank. No parallel brand-level commingling restriction in the OCC final rule, although PPSIs must publish a monthly composition report including the different classes or brand of payment stablecoins.
Reserve deficiencies or minimum capital or operational shortfalls would be addressed primarily through supervisory discretion rather than automatic triggers. The FDIC NPR would require notice to the FDIC and contingency planning, and would allow the FDIC to direct remedial measures, including reduced issuance, additional capital or orderly redemption.	The OCC final rule proposes more clearly defined consequences for reserve deficiencies, but grants the OCC discretion to impose restrictions if compliance with capital or backstop requirements appears unlikely by quarter end.

FDIC's Proposed Rules for Supervised PPSIs

Key Issues and Differences from the OCC Final Rule (cont'd)

Key FDIC NPR Takeaways	Compared with OCC Final Rule
PPSIs would be prohibited from providing a customer credit, directly or indirectly, to enable a customer to purchase or otherwise acquire payment stablecoins.	No parallel express prohibition in the OCC final rule.
Monthly reserve disclosures would be required but **without identifying specific institutions, branches or counterparties**.	No parallel express statement that such details may be omitted in the OCC final rule.
Redemption timing would remain capped at two business days, but **a PPSI experiencing a "significant redemption request" may request an extension**.	The OCC final rule provides a PPSI must notify the OCC if its redemption requests exceed 10% of its outstanding issuance value within 24 hours and may request a redemption extension, subject to the OCC's discretion.
Examinations generally would be conducted **consistent with the parent IDI's examination cycle**, subject to the FDIC's ability to examine more frequently as it deems necessary.	The OCC final rule subjects OCC-regulated PPSIs to a defined examination cycle, generally every 12 months unless extended by the OCC.
"Customer" would be defined as a person purchasing products or services of a PPSI **directly from the PPSI**.	The OCC final rule defines "customer" as a person purchasing products or services of a PPSI or FPSI directly from the issuer, or makes a request directly to the issuer to convert, repurchase or redeem a payment stablecoin.

FRB Rulemaking

The Federal Reserve's Proposed GENIUS Act Rules

Overview of the Proposed Rulemakings

- On September 29, 2026, the FRB issued two notices of proposed rulemaking (together, the "**FRB NPR**") to implement its responsibilities under the GENIUS Act.
  - Comments on both FRB NPRs are due on November 30, 2026.
- The regulatory framework proposal would establish a regime applicable to PPSIs supervised by the FRB:
  - Sets prudential standards for PPSIs, including permissible activities, reserves, redemption, risk management, reporting and capital;
  - Implements custody requirements for FRB-supervised custodians of reserves, collateral and private keys;
  - Implements the GENIUS Act Section 4(a)(8) tying prohibition, applicable to all PPSIs; and
  - Addresses enforcement over state-qualified PPSIs and the $10 billion transition and waiver process for uninsured state-chartered depository institutions.
- The applications proposal sets procedures for insured state member banks seeking FRB approval for a subsidiary to issue payment stablecoins.
  - The FRB must decide within 120 days of a substantially complete application, or the application is deemed approved.
- The FRB NPR tracks the OCC's approach in many areas, but relies on principles-based reserve diversification and a formula-driven capital framework.

FRB-Supervised Entities Under the GENIUS Act

FRB Proposals for Supervised PPSIs

Key Issues and Differences from the OCC Final Rule

Key FRB NPR Takeaways	Compared with OCC Final Rule
No quantitative limits proposed; reserves must be diverse enough to meet the 1:1 requirement at all times, including under stress.	The OCC final rule adopted a 5% daily liquidity minimum and a 40% single-counterparty cap.
No mandatory buffer or stress testing; comment requested on a 1% buffer.	OCC final rule requires a buffer "to the extent necessary" and regular stress testing of the reserve portfolio.
Liquidation trigger for reserve shortfalls. PPSI must notify the FRB within 24 hours of failing to satisfy one-to-one requirement, along with a plan to return to compliance; **liquidation begins the next business day unless cured or the FRB approves the plan**.	PPSI must stop new issuance immediately, but liquidation is required only after 15 consecutive business days of shortfall.
Two-business-day redemption requirement, with safe harbors for BSA/AML/sanctions reviews and delays outside the PPSI's control.	Similar redemption requirement. A PPSI must notify the OCC if it receives redemption requests exceeding 10% of its outstanding issuance value in a 24-hour period.
Rebuttable presumption for the yield prohibition covering certain affiliate and related third-party arrangements.	The OCC final rule eliminated the presumption in its final rule and will assess arrangements case by case.

FRB Proposals for Supervised PPSIs

Key Issues and Differences from the OCC Final Rule (cont'd)

Key FRB NPR Takeaways	Compared with OCC Final Rule
Capital framework is standardized and formula-based. Includes a **2% capital requirement on uninsured deposits and exposure to undercollateralized reverse repurchase agreements**, and approach to calculating operational risk.	OCC's final rule sets capital requirements individually for each PPSI, commensurate with its risks.
Capital requirement of **$5 million for *de novo* issuers** for three years.	The OCC final rule also uses a $5 million minimum capital requirement applicable to all PPSIs.
No operational backstop; FRB requests comment on the OCC approach.	The final rule requires liquid assets equal to 12 months of total expenses, and up to 50% of its backstop may be debt-funded.
PPSI must generate a **capital plan within five business days of quarter-end in the event of a capital shortfall**; liquidation if not cured by the end of the following quarter.	The OCC final rule requires 24-hour notice, halts issuance after quarter-end noncompliance and requires liquidation after two consecutive quarters of noncompliance.
A state member bank subsidiary **meets risk management standards by participating in its parent's compliant enterprise-wide framework**.	OCC's final rule standards are principles-based, with requirements for monetization, stress-testing and FX hedging.

Future of Banking: Implications and Opportunities

Accelerating Towards Regulatory Clarity and Openness to Innovation

Federal Banking Agencies' Actions

- In addition to implementing the GENIUS Act, federal banking agencies have moved to remove barriers and provide clarity for banking organizations interested in digital asset activities.
  - Starting in 2025, the OCC, FRB and FDIC each rescinded prior digital asset guidance that raised obstacles to banking organization engagement in digital asset activities, including certain interpretive letters and supervisory statements viewed as part of Chokepoint 2.0.
  - The agencies have also moved to provide further clarity and guidance on activities permissible for banking organizations and updated risk management expectations and have transitioned review of digital asset activities to the "normal supervisory process."
    - The SEC released guidance in March 2026 clarifying security crypto assets from non-security crypto assets and signaled more guidance is to come on how issuers can raise capital.
    - In August 2026, the SEC proposed "Regulation Crypto Assets," which would create a tailored offering and reporting regime for "covered investment contracts."
    - Following the failure of the CLARITY Act to advance, the SEC issued a temporary "Innovation Exemption," which would exempt Tokenized Securities Venues ("**TSVs**") from the definition of "exchange," for five years.
    - The SEC has also issued a proposed rule to liberalize crypto asset custody requirements for investment advisers and investment funds.
    - In parallel, the CFTC issued an advanced notice of proposed rulemaking that would define when leveraged retail crypto transactions fall under its jurisdiction and create a tailored "Crypto Asset Market" registration so those transactions can trade on federally regulated exchange.
- Although many legal interpretive questions remain unresolved, these actions signal a strong desire to provide a more coherent and permissive regulatory environment for banking organizations.

Currently Applicable Banking Regulatory Guidance

Current Guidance

Issuance Date	Agency	Title	Topic	Applicability
July 22, 2020	OCC	*Interpretive Letter #1170: Authority of a National Bank to Provide Cryptocurrency Custody Services for Customers*	Concludes that it is legally permissible for national banks and federal savings associations to provide cryptocurrency custody services.	National banks; federal savings associations; federal branches
September 21, 2020	OCC	*Interpretive Letter #1172: OCC Chief Counsel's Interpretation on National Bank and Federal Savings Association Authority to Hold Stablecoin Reserves*	Concludes that it is legally permissible for national banks and federal savings associations to hold dollar deposits serving as reserves backing stablecoins.	National banks; federal savings associations; federal branches
January 4, 2021	OCC	*Interpretive Letter #1174: OCC Chief Counsel's Interpretation on National Bank and Federal Savings Association Authority to Use Independent Node Verification Networks and Stablecoins for Payment Activities*	Concludes that it is legally permissible for national banks and federal savings associations to use distributed ledgers and stablecoins to engage in and facilitate payment activities, including by (1) acting as nodes on an independent node verification network (i.e., distributed ledger) to verify customer payments and (2) using stablecoins to facilitate payment transactions on a distributed ledger, including by issuing and exchanging stablecoins.	National banks; federal savings associations; federal branches
November 23, 2021	FDIC, FRB, OCC	*Joint Statement on Crypto-Asset Policy Sprint Initiative and Next Steps*	Describes results of interagency "policy sprints" on crypto-asset activities and identifies a "roadmap" of areas for further guidance, including (1) traditional and ancillary custody services, (2) facilitation of customer purchases and sales, (3) lending against crypto-assets, (4) stablecoin issuance and distribution and (5) holding crypto-assets on balance sheet.	Banks; savings associations; branches of foreign banks and their holding companies
March 7, 2025	OCC	*Interpretive Letter #1183: OCC Letter Addressing Certain Crypto-Asset Activities*	Reaffirms that national banks and federal savings associations may engage in crypto-asset custody, distributed ledger and stablecoin activities per Interpretive Letters 1170, 1172 and 1174. Rescinds Interpretive Letter 1179.	National banks; federal savings associations; federal branches

Currently Applicable Banking Regulatory Guidance

Current Guidance (cont'd)

Issuance Date	Agency	Title	Topic	Applicability
March 28, 2025	FDIC	*FIL-7-2025: FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities*	Rescinds FIL-16-2022 and affirms that FDIC-supervised institutions may engage in permissible crypto-related activities without prior FDIC approval, provided they adequately manage the associated risks.	State nonmember banks; state-licensed insured branches; state savings associations
May 7, 2025	OCC	*Interpretive Letter #1184: Clarification of Bank Authority Regarding Crypto-Asset Custody Services*	Confirms that national banks and federal savings associations may provide and outsource cryptocurrency custody and execution services, including buying and selling assets held in custody at the customer's direction. Outsourcing is permitted, subject to appropriate third-party risk management practices.	National banks; federal savings associations; federal branches
July 14, 2025	FRB, OCC, FDIC	*Joint Statement on Crypto-Asset Safekeeping by Banking Organizations*	Provides guidance on how existing laws, regulations and risk management principles apply to crypto-asset safekeeping activities.	Banks, savings associations, branches of foreign banks and their holding companies
November 18, 2025	OCC	*Interpretive Letter #1186: Authority of National Banks to Hold Crypto-Assets as Principal and Pay Crypto-Asset Network Fees as Incidental to a Permissible Banking Activity*	Confirms that a national bank may pay blockchain network ("**gas**") fees to facilitate otherwise permissible activities and may hold, as principal, de minimis/necessary amounts of crypto-assets on balance sheet to pay fees for which it anticipates a reasonably foreseeable need, and to test otherwise permissible crypto-asset platforms.	National banks; federal savings associations; federal branches
December 9, 2025	OCC	*Interpretive Letter #1188: National Bank Engagement in Riskless Principal Transactions in Crypto-Assets*	Confirms that a national bank may engage in riskless principal crypto-asset transactions with and on behalf of customers.	National banks; federal savings associations; federal branches
December 17, 2025	FRB	*Policy Statement on Section 9(13) of the Federal Reserve Act*	Rescinds and replaces the FRB's 2023 policy statement interpreting Section 9(13) of the Federal Reserve Act, which limited state member banks' ability to engage in crypto activities. Expresses a policy of facilitating innovation by insured and uninsured state member banks.	State member banks

Shifting Market Dynamics and Industry Responses

Chartering Applications by Digital Asset-Native Firms:

- Nonbank financial institutions are increasingly pursuing OCC charters (particularly national trust charters) as a compliant path forward. The OCC has moved quickly to conditionally approve several such applications.
  - E.g., Coinbase National Trust Company; First National Digital Currency Bank; Ripple National Trust Bank; BitGo Bank & Trust, National Association; Fidelity Digital Assets, National Association; Paxos Trust Company, National Association.
- Motivations often include:
  - Regulatory legitimacy under an evolving supervisory regime;
  - Ability to hold stablecoin reserves on their own books;
  - Potential (though not guaranteed) access to FRB master accounts;
  - Improved alignment with institutional clients and payment infrastructure; and
  - Preemption of money transmitter laws.

Incumbent Payment Network Upgrades:

- Payment networks are upgrading rails to allow issuance, distribution and redemption of digital assets, including stablecoins, across their networks.

Implications for the Traditional Banking Sector

For banking organizations, this trend creates both:

- **Competitive pressure** from fast-moving nonbank competitors.
  - Some are concerned that the digital assets market would evolve into a shadow banking system, lacking consumer protections and undermining community banks' role in local credit.
  - Banking industry groups have questioned whether digital asset firms actually qualify for a trust charter, arguing that custody services rely on core banking powers and are not true fiduciary activities.
- **Strategic opportunities** to leverage their regulatory credibility, deposit infrastructure and compliance frameworks through partnerships or direct entry into digital asset services.
  - For example, banking organizations may enter into a custody partnership with a nonbank, advancing institutional use cases such as cross-border payments and liquidity management.

Strategic Opportunities for Banking Organizations

Active Engagement in Permissible Digital Asset Activities

Activity Category	Examples
Traditional Banking Services for Digital Asset Clients or Involving Digital Assets	• Providing corporate loans, deposit accounts and payments for customers engaged in digital asset-related businesses. • Facilitating customer participation in digital asset exchange or trading, including by carrying fiat currency on behalf of customers (e.g., in an omnibus account). • Lending activities collateralized by digital assets. • Underwriting a loan, debt product or equity offering effected partially or entirely on a public blockchain. • Controlling, administering, issuing or holding digital assets as principal.
Custody and Reserve Management	• Providing digital wallets or other custody or agent services for digital assets and ancillary custody services (whether done directly or through a third party). • Holding stablecoin reserves.
Payments and Settlement Innovation	• Transmitting or receiving digital assets for transmission. • Integrating digital assets, including stablecoins, into B2B payment rails or real-time treasury solutions. • Participating in blockchain-based clearing and settlement platforms.
Bank-Issued Stablecoins or Tokenized Deposits	• Using for purposes of intrabank transfers and real-time cross-border liquidity management. • Replacing traditional wire transfers for cross-border payments, enabling 24/7 settlement without reliance on cutoff times or prefunding. • Integrating with smart contracts; trade finance.
White-Labeled Partnerships	• Partnering with licensed stablecoin issuers to provide custody, technology solutions, compliance infrastructure or advisory services. • Supporting issuance or redemptions for partners, including by facilitating ongoing collection and disbursement of fiats.

What to Watch and Next Steps

Compliance and Risk Management Considerations

- Digital asset safekeeping risk management considerations, including operational and cybersecurity risk;
- BSA/AML;
- Reserve asset management, potential impact on deposit base, liquidity and capital treatment;
- Third-party/vendor risk associated with partnerships with tech platforms;
- Audit and accounting; and
- Additional regulatory reporting and examination processes.

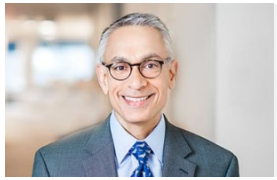
Regulatory and Legislative Developments to Monitor

- Federal banking agencies' rulemaking to implement the GENIUS Act (including commenting process) and regulatory or legislative resolution of open issues, including extraterritoriality, interest on stablecoins and preemption issues.
- Any revival of the CLARITY Act or successor federal market-structure legislation for fungible digital assets outside of stablecoins.
- Parallel or reactive state legislative and regulatory developments.
- Payment Accounts (also known as "**skinny accounts**") proposed by the FRB in May 2026, which would give eligible, approved institutions limited-purpose access to Reserve Bank payment services.

Preparing Now

- Assess strategic interest in issuing, holding or using stablecoins.
- Enhance cybersecurity and data protection measures.
- Map control gaps against GENIUS Act PPSI requirements and existing bank information-security, cyber, operational-risk and third-party-risk standards.
- Review reserve and public disclosure practice.
- Engage with regulators and trade associations (e.g., participating in the public commenting process for federal banking agencies' rulemaking).
- Consider pilot programs; invest in uplifts on key capabilities and expertise.

Contact Information



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