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Fintech & Digital Assets Update

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The GENIUS Act: A New Era of Stablecoin Regulation

The Act is the most significant United States law affecting the digital assets industry to date and reflects the Administration's and Congress' priorities of establishing a comprehensive framework for the United States' approach to digital assets and related activities.

On July 18, 2025, the President signed the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the GENIUS Act or the Act) into law. The GENIUS Act is the most significant United States law affecting the digital assets industry to date and reflects the Administration's and Congress' priorities of establishing a comprehensive framework for the United States' approach to digital assets and related activities. The legislation, which benefited from strong bipartisan support, was adopted on June 17, 2025 in the U.S. Senate by a vote of 68 to 30, and in the U.S. House of Representatives by a vote of 308 to 122, on July 17, 2025.

The Act is described as a consumer protection bill that establishes Federal safeguards to protect stablecoin holders and enhance consumer confidence in the payment stablecoin market. To achieve these ends, the Act establishes a clear Federal regulatory framework for the issuance of "payment stablecoins," while preserving a pathway for certain State-regulated entities to issue payment stablecoins. The Act also provides restrictions on "digital asset services providers" (e.g., cryptocurrency exchanges) with respect to the offer and sale of certain payment stablecoins. Given its broad scope, both within the United States and extraterritorially, the GENIUS Act is expected to have significant impacts on the global cryptocurrency markets, market participants, and the broader financial system.

The Act takes effect on the earlier of (i) the date that is 18 months after the enactment of the Act or (ii) the date that is 120 days after the date on which the primary Federal payment stablecoin regulators issue any final regulations implementing the Act. In that regard, the Act directs the Secretary of the Treasury (the Secretary), primary Federal payment stablecoin regulators, and State payment stablecoin regulators to issue regulations intended to establish a process and framework for the licensing, regulation, examination, and supervision of permitted payment stablecoin issuers and the issuance of payment stablecoins. [Appendix 1](#) to this Client Alert highlights rulemakings and reports required to be issued by the relevant regulators following the Act's passage into law.

This Client Alert, which includes a Q&A below, covers some of the key questions and answers regarding the provisions and implications of the Act and contains a discussion of the Act's impacts on State law preemption. A detailed section-by-section summary of the Act is provided in [Appendix 2](#) to this Client Alert.

Key Questions and Answers

What stablecoins are covered?

The GENIUS Act establishes a new regulatory framework for “payment stablecoins” which are defined as any digital asset that:

1. is, or is designed to be, used as a means of payment or settlement, and
2. the issuer of which:
 - a. is obligated to convert, redeem, or repurchase for a fixed amount of monetary value, not including a digital asset denominated in a fixed amount of monetary value; and
 - b. represents that such issuer will maintain, or create the reasonable expectation that it will maintain, a stable value tied to a fixed amount of monetary value.

The definition of “payment stablecoin” does not include a digital asset that is (i) a national currency; (ii) a deposit (including deposits recorded using distributed ledger technology); or (iii) a security. The Act further clarifies that payment stablecoins are not securities (under the jurisdiction of the U.S. Securities and Exchange Commission (the SEC)) or commodities (under the jurisdiction of the Commodity Futures Trading Commission (the CFTC)) and are not permitted to pay holders yield or interest solely in connection with the holding, use, or retention of such payment stablecoins.[\[1\]](#)

Who can issue payment stablecoins?

The GENIUS Act makes it unlawful for any person other than a “permitted payment stablecoin issuer” to issue payment stablecoins in the United States. A permitted payment stablecoin issuer means a U.S. entity that is any of the following:

1. a subsidiary of insured depository institutions (IDIs), whether national or state-chartered, that is approved the parent IDI's primary Federal regulator (e.g., the Board of Governors of the Federal Reserve System (the Federal Reserve), the Office of the Comptroller of the Currency (the OCC), the National Credit Union Administration or the Federal Deposit Insurance Corporation (the FDIC)).[\[2\]](#)

2. Federal qualified payment stablecoin issuers, which include the following entities that are approved by the OCC to issue payment stablecoins:
 - a. non-bank entities, other than State-qualified payment stablecoin issuers;
 - b. uninsured national banks; and
 - c. Federal branches of foreign banks.
3. State qualified payment stablecoin issuers, which are entities established under the laws of the relevant State with a consolidated total outstanding payment stablecoin issuance of less than \$10 billion (unless a waiver is obtained) that is not an IDI, subsidiary of an IDI, an uninsured national bank, or a Federal branch of a foreign bank; provided that the relevant State's oversight framework aligns with the certification requirements under the Act.

The Act sets forth secondary Federal oversight with regard to the State regulatory framework and State qualified payment stablecoin issuers. The SCRC (as defined below) is responsible for approving certifications from State regulators that their State's regime is substantially similar to the Federal regime. The SCRC must unanimously approve or deny such certifications within 30 days after the State payment stablecoin regulator submits the certification. In addition, the Federal Reserve and the OCC have authority to take enforcement action against certain State qualified payment stablecoin issuer in unusual and exigent circumstances (which will be defined in a future rulemaking).

A public company (and its wholly or majority-owned subsidiaries) that is not predominantly engaged in one or more "financial" activities (as defined and interpreted under Section 4(k) of the Bank Holding Company Act of 1956 and including those activities permitted for permitted payment stablecoin issuers and digital asset service providers under the Act) is generally prohibited from issuing a payment stablecoin unless the public company receives a unanimous vote from the SCRC making certain specified findings.

What are payment stablecoins issuers permitted to do?

The GENIUS Act limits the activities in which a permitted payment stablecoin issuer may engage to the following:

1. issuing payment stablecoins;
2. redeeming payment stablecoins;
3. managing related reserves, including purchasing, selling, and holding reserve assets or providing custodial services for reserve assets (consistent with State and Federal law);
4. providing custodial or safekeeping services for payment stablecoins, required reserves, or private keys of payment stablecoins; and
5. undertaking other activities that directly support any of the activities set forth above.

In addition, the Act provides that permitted payment stablecoin issuers are not prohibited from engaging in payment stablecoin activities or digital asset service provider activities specified by this Act, and “activities incidental thereto,” that are authorized by the primary Federal payment stablecoin regulator or the State payment stablecoin regulator, as applicable.

What are the requirements for payment stablecoin issuers?

Although more specificity on the requirements for payment stablecoin issuers is expected to be implemented through regulation (see [Appendix 1](#) for more detail), the Act provides certain key requirements, including the following:

1. permitted payment stablecoin issuers must hold reserves of U.S. dollars or high-quality liquid assets at least equal to the total value of outstanding payment stablecoins (*i.e.*, on at least a 1:1 backing). The reserves must be held in segregated accounts and cannot be commingled with assets of the custodian.
2. reserves are limited to cash, bank deposits and short-term, low-risk securities (*e.g.*, U.S. Treasuries). Other types of assets such as cryptocurrencies and other securities are prohibited from being used as reserves.
3. reserves cannot be rehypothecated or reused for any other purpose—except for satisfying certain margin obligations, obligations associated with custodial services, or creating liquidity to redeem payment stablecoins in narrow cases.
4. permitted payment stablecoin issuers are expected to file monthly reports of the composition of reserves that must be examined by third-party auditors. If a permitted payment stablecoin issuer has more than \$50 billion in consolidated total outstanding issuance (and is not a public company), then it must provide annual audited financial statements that are filed with regulators and are publicly available.

Payment stablecoin issuers are designated as “financial institutions” under the Bank Secrecy Act therefore subjecting them to robust anti-money laundering, customer due diligence (*i.e.*, know your customer checks), and transaction monitoring requirements. Payment stablecoin issuers also will be required to provide suspicious activity reports to the Financial Crimes Enforcement Network (FinCEN) and Office of Foreign Asset Controls sanctions compliance.

Finally, the Act sets forth certain risk management requirements for payment stablecoin issuers, including requirements around the diversification of the reserve portfolio, capital and liquidity requirements, and stress testing.

Are foreign entities permitted to issue payment stablecoins in the United States?

No. The GENIUS Act makes it unlawful for any person other than a permitted payment stablecoin issuer to issue a payment stablecoin in the United States. However, the Act permits a foreign payment stablecoin issuer to offer or sell payment stablecoins using a digital asset service provider if the foreign payment stablecoin issuer:

1. is subject to a comparable non-U.S. regulatory and supervisory regime, as determined by the Secretary upon recommendation of the members of SCRC;

2. registers with the OCC;
3. holds reserves in the United States sufficient to meet U.S. customer liquidity demands (unless otherwise permitted under a reciprocity arrangement);
4. is not domiciled or regulated in a jurisdiction that is subject to comprehensive United States sanctions or is determined by the Secretary to be a jurisdiction of primary money laundering concern; and
5. complies with lawful orders to seize, freeze, burn, or prevent the transfer of outstanding stablecoins.

The standards for comparability determinations are not defined in the Act and the Secretary can make such determination upon a recommendation from the other members of the SCRC. The Secretary can also enter into reciprocal agreements and other agreements with jurisdictions that are deemed to have comparable payment stablecoin regulatory regimes.

In addition, the Act does not expressly prohibit a foreign payment stablecoin issuer from establishing a permitted payment stablecoin issuer in the United States to issue a payment stablecoin in the United States.

What happens if payment stablecoins are not issued by permitted payment stablecoin issuers?

If a payment stablecoin is not issued by a permitted payment stablecoin issuer, then it cannot be (i) treated as cash or cash equivalent for accounting purposes; (ii) eligible as cash or cash equivalent margin or collateral for broker-dealers, swap dealers, and other CFTC and SEC intermediaries; or (iii) accepted as a settlement asset to facilitate wholesale payments between banking organizations.

Does the Act place any limitations on the offer or sale of payment stablecoins in the secondary market?

Yes. The Act provides that, unless a safe harbor is available, beginning on the date that is three years after the enactment of the Act, it shall be unlawful for a digital asset service provider to offer or sell payment stablecoins to a person in the United States unless the payment stablecoin is issued by a permitted payment stablecoin issuer. Additionally, digital asset service providers are prohibited from offering, selling, or otherwise making available a payment stablecoin issued by a foreign payment stablecoin issuer unless the foreign payment stablecoin issuer has the technological capability to comply, and will comply, with the terms of any lawful order and reciprocal agreement (as described above).

Under the Act, the Secretary may also provide safe harbors from the prohibition on any person other than a permitted payment stablecoin issuer to issue a payment stablecoin in the U.S.; those safe harbors would then permit digital asset service providers to offer or sell that issuer's payment stablecoins to a person in the United States.

Can permitted payment stablecoin issuers pay interest on stablecoins?

No. The GENIUS Act prohibits permitted payment stablecoin issuers and foreign payment stable issuers from paying the holder of any payment stablecoin any form of interest or yield solely in connection with the holding, use, or retention of such payment stablecoin.

Are decentralized protocols prohibited from offering certain payment stablecoins?

No. Distributed ledger protocols, the operators of distributed ledger protocols, and other decentralized finance activities are explicitly excluded from the definition of “digital asset service provider.” However, the Act requires a study to be conducted by the Secretary that includes legislative recommendations on the scope of the term “digital asset service provider” and the application to decentralized finance.

Does the Act regulate peer-to-peer transfers or self-custody of payment stablecoins?

No. The Act does not regulate “the direct transfer of digital assets between 2 individuals acting on their own behalf and for lawful purposes, without the involvement of an intermediary” or “to any transaction by means of software or hardware wallet that facilitates an individual’s own custody of digital assets.”

What is the Stablecoin Certification Review Committee?

The GENIUS Act establishes the “Stablecoin Certification Review Committee” (the SCRC) which is comprised of (i) the Secretary (who serves as the Chair); (ii) the Chair of the Federal Reserve (or the Vice Chair for Supervision) and (iii) the Chair of the FDIC. Decisions by the SCRC require a two-thirds vote at any meeting or by unanimous written consent. The SCRC is tasked with the following:

1. reviewing certifications from the States that State-level regulatory regimes meet the criteria for substantial similarity;
2. granting approval for a non-financial services public company to issue payment stablecoins; and
3. providing additional guidance, such as interpretive rules addressing the prohibition against non-financial public companies and the form of initial and annual State-level regulatory regime certifications.

Each other member of the SCRC also must make a recommendation to the Secretary regarding whether a foreign country has a regulatory and supervisory regime that is comparable to the requirements established under the Act.

Does the Act direct any Federal agencies to engage in rulemaking, issue reports, or conduct further studies?

Yes. The Act directs the Secretary and the primary Federal payment stablecoin regulators, among others, to promulgate a series of rules and guidance and to study or report on numerous topics. Collectively, these provisions ensure that the regulatory landscape will continue to evolve

after the opportunity for further input from market participants. [Appendix 1](#) below details the various provisions authorizing or requiring rulemaking and directing Federal agencies to conduct studies or issue reports.

Do permitted payment stablecoin issuers benefit from preemption of State licensing laws?

In short, yes, permitted payment stablecoin issuers, whether a subsidiary of an IDI, a Federal qualified payment stablecoin issuer, or a State qualified payment stablecoin issuer, would benefit from preemption of State licensing laws, including those applicable to money transmitters.

A subsidiary of an IDI's or a Federal qualified payment stablecoin issuer's approval to issue payment stablecoins (*i.e.*, subject to the Federal pathway) expressly supersedes and preempts all State licensing requirements.

A State qualified payment stablecoin issuer's approval to issue payment stablecoins (*i.e.*, subject to the State pathway) would also expressly supersede and preempt State licensing requirements, with the exception of the State qualified payment stablecoin issuer's home State laws. The home State's laws regarding a charter, license, or other authorization to do business still apply to the State qualified payment stablecoin issuer. However, due to the certification process, we would expect that the home State law applicable to a payment stablecoin issuer operating under a State pathway would look substantially similar to the requirements applicable to Federal qualified stablecoin issuers.

Regardless of the path to become a permitted payment stablecoin issuer, the preemption of State licensing laws is a distinct feature of the framework established by the GENIUS Act and, depending on the scope of activity that may be undertaken by permitted payment stablecoin issuers, could be quite far-reaching with respect to certain State licensing requirements.

Do permitted payment stablecoin issuers benefit from preemption of State consumer protection laws?

No. State consumer protection laws are not broadly preempted by the GENIUS Act.

There is, however, one notable exception: host State laws relating to consumer protection are only applicable to out-of-State State qualified payment stablecoin issuers to the same extent the host State laws would apply to out-of-State Federal qualified payment stablecoin issuers. Therefore, to the extent that host State consumer protection law is preempted under other law with respect to an out-of-State Federal qualified payment stablecoin issuer, the host State consumer protection law would also be preempted with respect to the out-of-State State qualified payment stablecoin issuer.

What Comes Next

As noted above, the GENIUS Act does not have immediate effectiveness. Instead, the Act takes effect on the earlier of (i) the date that is 18 months after the enactment of the Act or (ii) the date that is 120 days after the date on which the primary Federal payment stablecoin regulators issue any final regulations implementing the Act. The Act also includes a three-year safe harbor for digital

asset service providers from the prohibition on offering or selling payment stablecoins to U.S. persons “unless the payment stablecoin is a permitted payment stablecoin.”

The Act directs the Secretary, primary Federal payment stablecoin regulators, and State payment stablecoin regulators to issue, through notice and comment rulemaking, additional regulations intended to establish a process and framework for the licensing, regulation, examination, and supervision of permitted payment stablecoin issuers and the issuance of payment stablecoins, including the licensing and application process; process to authorize foreign payment stablecoin issuers; capital, liquidity, and risk management requirements; reserve asset standards; custody standards; and BSA/AML and sanctions compliance, among other things. In most instances, regulations are required to be promulgated by July 18, 2026, one year following the GENIUS Act’s enactment. Indeed, the Act directs the Federal banking agencies to submit to the Senate Banking Committee and House Financial Services Committee “a report that confirms and describes the regulations promulgated to carry out this Act” within 180 days after enactment of the Act.

Nonetheless, the industry should anticipate a lengthy rulemaking process before final regulations are fully phased in (and some rulemakings, like capital and liquidity requirements, may include transition periods before full effectiveness). It is critical for all market participants to consider the implications of the Act and potential rulemakings on their business models because there will be meaningful opportunities for market participants to participate in advocacy efforts and the rulemaking process with both Federal and State regulators and other Federal and State policymakers in shaping the substance of the final rules designed to implement the dual Federal-State stablecoin issuance framework in the United States.

APPENDIX 1

This [Appendix 1](#) provides an overview of the various provisions authorizing or directing further rulemaking, reporting, or study. With respect to rulemaking, Section 13 of the GENIUS Act directs each primary Federal payment stablecoin regulator, the Secretary of the Treasury, and each State payment stablecoin regulator to, within a year from the date of enactment of the Act, promulgate regulations through appropriate notice and comment rulemaking to “carry out this Act.” The one-year timeline for rulemaking applies to each topic listed below unless otherwise indicated. Section 13 further states that Federal payment stablecoin regulators, the Secretary of the Treasury, and State payment stablecoin regulators should coordinate, as appropriate.

Rulemaking Authorities

By the Secretary:

Section	Topic	Details
3(c)	Limited safe harbor	May provide for limited safe harbor for issuance of a de minimis transaction volume of payment stablecoin.
3(d)	Implement issuance and treatment provisions	Shall issue regulations to implement Section 3 of the Act, including to define terms.

4(a)(5)	BSA/sanctions	Shall adopt rules, tailored to the size and complexity of issuers, to implement application of the BSA and U.S. sanctions laws to issuers.
4(c)	State-level regulatory regime standards	Shall through notice and comment, establish broad-based principles for assessing whether a State-level regulatory regime is substantially similar.
8(b)(3)(B)	Foreign Issuer Compliance	Shall specify the criteria that a noncompliant foreign issuer must meet to become compliant.
18(b)(6)	Reciprocity for foreign payment stablecoin issuers	Shall issue such rules as may be required to exempt foreign payment stablecoin issuers from Section 3's prohibition on issuance, offers or sales.

By all of the primary Federal payment stablecoin regulators:

Section	Topic	Details
4(a)(4)	Capital, liquidity, and risk management requirements	Shall issue rules addressing capital, liquidity, and risk management and amend existing capital rules.
4(h)	Standards for the issuance of payment stablecoins	Shall issue such regulations relating to permitted payment stablecoin issuers as may be necessary to administer Section 4, which sets forth the standards to become a permitted payment stablecoin issuer.
5(a)(2)	Issuer application	Shall issue such regulations addressing the review and consideration of applications from any IDI or other entity applying to become a permitted payment stablecoin issuer.
5(g)	General authority	Shall issue rules necessary for the regulation of the issuance of payment stablecoins provided such rules do not impose requirements in addition to those in Section 4.
10(c)(2)(C)	Commingling of funds	May prescribe rules, regulations or orders to permit stablecoin reserves, payment stablecoins, cash and other property to be commingled provided that it is separately accounted for, treated as, and dealt with as belonging to a permitted payment stablecoin issuer or customer.
12	Interoperability	In consultation with standard-setting organizations and other regulators, may prescribe standards for permitted payment stablecoin issuers to promote compatibility and interoperability with other permitted payment stablecoin issuers and the broader digital finance ecosystem.
16(b)	Regulated Entity Activities	Shall 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 the payment stablecoin activities and investments contemplated by the Act, including acting as a principal or agent with respect to any payment stablecoin and payment of fees to facilitate customer transactions.
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Additional Federal rulemaking:

Section	Topic	Details
4(a)(8)	Anti-tying	The Federal Reserve may issue regulations as are necessary to prohibit a permitted payment stablecoin issuer from providing services to a customer on the condition that the customer obtain an additional paid product or service or agree not to obtain from a competitor.
4(a)(12)(D)	Non-financial companies	The SCRC shall issue an interpretive rule clarifying application of the prohibition of domestic public companies and foreign companies not engaged in financial activities from issuing payment stablecoins.
4(b)	Standards for the issuance of payment stablecoins	The OCC shall have authority to issue regulations and order as necessary to ensure financial stability and implement standards for the issuance of payment stablecoins in coordination with the other relevant regulators.
7(e)	Enforcement Authority	The Federal Reserve and OCC shall issue rules to set forth the unusual and exigent circumstances under which the Federal Reserve and OCC, as applicable, may take enforcement action against a State qualified payment stablecoin issuer for violations of the Act.
9(d)	Anti-money laundering innovation	Within three years, FinCEN shall issue public guidance and notice and comment rulemaking, based on research and risk assessments, relating to (1) implementation of innovative or novel means 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 permitted payment stablecoin issuer; (3) Standards for monitoring transactions on blockchains, digital asset mixing services, tumblers, or other similar services; and (4) tailored risk management standards for financial institutions interacting with decentralized finance protocols.
18(c)(1)(E)	Foreign payment stablecoin issuers	The OCC shall issue rules relating to the standards for approval of registration requests from foreign

		payment stablecoin issuers and the process for appealing denials.
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By the State payment stablecoin regulators:

Section	Topic	Details
4(a)(4); 7(d)	Capital, liquidity, and risk management requirements	Shall issue rules addressing capital, liquidity, and risk management, and amend existing rules. A State payment stablecoin regulator may 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.
4(h); 7(d)	Standards for the issuance of payment stablecoins	May issue such regulations relating to permitted payment stablecoin issuers as may be necessary to administer Section 4, which sets forth the standards to become a permitted payment stablecoin issuer. A State payment stablecoin regulator may 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.

Reports and Studies

By the Secretary:

Section	Topic	Details
4(a)(6)(C)	National security	Within a year and with the Attorney General, report on coordination with permitted payment stablecoin issuers with respect to blocking and prohibiting transactions.
8(c)(4)	Prohibition Waivers	Within seven days, report and provide a briefing on any issuance of a waiver or license.
9	Anti-money laundering innovation	Following comment period and research, and within 180 days, report on (A) legislative and regulatory proposals to develop and implement novel and innovative means to detect illicit activity; (B) results of the research and risk assessments conducted pursuant to Section 9 of the Act; (C) efforts to support financial institutions using novel and innovative means to detect illicit activity; (D) the extent to which distributed ledgers, mixing services, tumblers and similar services may facilitate illicit activity; (E) legislative recommendations on the scope of the term “digital asset service provider,” including with respect to decentralized finance.

14(a)	Non-payment stablecoins	Following study in consultation with the Fed, OCC, FDIC, SEC and CFTC and no later than 365 days following passage, report on (A) benefits and risks of categories non-payment stablecoins; (B) non-payment stablecoin market participants; (C) use cases for non-payment stablecoins; (D) the nature of reserve compositions; (E) types of algorithms being employed; (F) governance structure and decentralization; (G) nature of public promotion and advertising; and (H) the clarity and availability of consumer disclosures.
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By the primary Federal payment stablecoin regulators:

Section	Topic	Details
5(e)(2)	Issuer applications	Annually report on pending issuer applications that are at least 180 days old.
11(h)	Bankruptcy	Study and report within three years regarding the application of bankruptcy and insolvency administration regimes to permitted payment stablecoin issuers and any legislative recommendations.
13(c)	Rulemaking	Within 180 days, report on the regulations promulgated to carry out the Act.
15	Trends	In consultation with the States, annually report on trends in payment stablecoin activity, applications for approval as permitted payment stablecoin issuers, and a description of the potential financial stability risks posed. The Financial Stability Oversight Council will incorporate this report into its annual report.

APPENDIX 2

This [Appendix 2](#) provides a summary of each section of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the GENIUS Act or the Act). The review and analysis that follows each section hereto tracks the section titles in the Act, in order, but includes certain headings and sub-headings that we prepared to highlight topics of interest more quickly and provide an understanding of the context of the provision in the legislation.

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Section 1. Short Title.

Section 1 of the GENIUS Act establishes that the Act is called the “Guiding and Establishing National Innovation for U.S. Stablecoins Act” or the “GENIUS Act.”

Section 2. Definitions.

The GENIUS Act most notably defines “payment stablecoin” and “permitted payment stablecoin issuer.”

Payment Stablecoin

Under the Act, a “payment stablecoin” is a digital asset (as defined in Section 2 of the Act) that is, or is designed to be, used as a means of payment or settlement and the issuer of which (i) is obligated to convert, redeem, or repurchase for a fixed amount of monetary value, not including a digital asset denominated in a fixed amount of monetary value; and (ii) represents that such issuer will maintain, or create the reasonable expectation that it will maintain, a stable value relative to the value of a fixed amount of monetary value. Payment stablecoins do not include a digital asset that (a) is a national currency; (b) is a deposit (as defined in section 3 of the Federal Deposit Insurance Act), including a deposit recorded using distributed ledger (as defined in Section 2 of the Act) technology; or (c) is a security (as defined in section 2 of the Securities Act of 1933, section 3 of the Securities Exchange Act of 1934, or section 2 of the Investment Company Act of 1940), except that no bond, note, evidence of indebtedness, or investment contract that was issued by a permitted payment stablecoin issuer shall qualify as a security solely by virtue of its satisfying the conditions described in (i) and (ii) above.

Permitted Payment Stablecoin Issuer

“Permitted payment stablecoin issuer” is defined as a person that is formed in the United States that is (i) a subsidiary of an insured depository institution (IDI) (as defined in Section 2 of the Act) that has been approved to issue payment stablecoins; (ii) a Federal qualified payment stablecoin issuer (as defined in Section 2 of the Act); or (iii) a State qualified payment stablecoin issuer (as defined in Section 2 of the Act).

Section 3. Issuance and Treatment of Payment Stablecoins.

Limitation on Issuers

The GENIUS Act prohibits any person other than a permitted payment stablecoin issuer from issuing a payment stablecoin in the United States (the PPSI Limitation).

Prohibitions on Offers or Sales

Beginning three years after the date of enactment of the GENIUS Act (*i.e.*, July 18, 2028), the Act will prohibit any digital asset service provider (as defined below) from offering or selling a payment stablecoin to a person in the United States unless that payment stablecoin is issued by a permitted payment stablecoin issuer. There are two exceptions to this prohibition:

1. The Secretary of the Treasury (the Secretary) may issue regulations providing safe harbors from the PPSI Limitation provided under Section 3(a) of the Act. Any such safe harbor must be (i) consistent with the purposes of the Act, (ii) limited in scope and (iii) apply to a de minimis volume of transactions, as determined by the Secretary. Alternatively, the Act authorizes the Secretary to issue a limited safe harbor from the PPSI Limitation where the Secretary determines there exist “unusual and exigent circumstances.”

2. The GENIUS Act enables a digital asset service provider to offer or sell a payment stablecoin issued by a foreign payment stablecoin issuer (as defined below) if the foreign payment stablecoin issuer has the technological capability to comply with the terms of any order and any reciprocal arrangement pursuant to Section 18 of the Act (described below).
 - a. Section 2 of the Act defines a “digital asset service provider” as a person that engages in the following business activities in the United States for compensation or profit:
 1. exchanging digital assets for monetary value;
 2. exchanging digital assets for other digital assets;
 3. transferring digital assets to a third party;
 4. acting as a digital asset custodian; or
 5. participating in financial services relating to digital asset issuance.

Notably, a digital asset service provider does *not* include any of the following:

1. a distributed ledger protocol (as defined in Section 2 of the Act);
 2. developing, operating, or engaging in the business of developing distributed ledger protocols or self-custodial software interfaces;
 3. an immutable and self-custodial software interface;
 4. developing, operating, or engaging in the business of validating transactions or operating a distributed ledger; or
 5. participating in a liquidity pool or other similar mechanism for the provisioning of liquidity for peer-to-peer transactions.
- c. Section 2 of the Act also defines “foreign payment stablecoin issuer” as an issuer of a payment stablecoin that is both (1) organized under the laws of or domiciled in a foreign country, a territory of the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands and (2) not a permitted payment stablecoin issuer.

Extraterritorial Effect

Under the GENIUS Act, if conduct involves the offer or sale of a payment stablecoin to a person located in the United States, the provisions of Section 3 of the Act would apply.

Penalties

The GENIUS Act provides for a penalty for knowingly participating in a violation of the PPSI Limitation of not more than \$1 million for each such violation and/or imprisonment for not more than five years. In addition, a primary Federal payment stablecoin regulator (as defined in Section 2 of the Act) may refer a matter to the Attorney General if the primary Federal payment stablecoin regulator has reason to believe that any person has knowingly violated the PPSI Limitation.

Treatment

If a payment stablecoin is not issued by a permitted payment stablecoin issuer, it may not be (i) treated as cash or as a cash equivalent for accounting purposes; (ii) eligible as cash or as a cash equivalent margin and collateral for futures commission merchants, derivative clearing organizations, broker-dealers, registered clearing agencies and swap dealers; or (iii) acceptable as a settlement asset to facilitate wholesale payments between banking organizations or by a payment infrastructure to facilitate exchange and settlement among banking organizations.

Exempt Transactions

Section 3 of the GENIUS Act does not apply to the following transactions:

1. the direct transfer of digital assets between two individuals acting on their own behalf without an intermediary;
2. any transaction involving the receipt of digital assets by an individual between an account owned by the individual in the United States and an account owned by the individual abroad that are offered by the same parent company; or
3. any transaction by means of a software or hardware wallet that facilitates an individual's own custody of digital assets.

Section 4. Requirements for Issuing Payment Stablecoins.

A permitted payment stablecoin issuer must do the following:

1. maintain reserves on at least a 1:1 basis;
2. publicly disclose the issuer's redemption policy; and
3. publish the monthly composition of the issuer's reserves on its website.

A more detailed description of each of these requirements is set forth below.

Reserves

A permitted payment stablecoin issuer's reserves may be comprised of any of the following:

1. United States currency;
2. funds held as demand deposits (or other deposits that may be withdrawn upon request at any time) or insured shares at an IDI, subject to certain limitations to address safety and soundness risks of such IDI;
3. Treasury bills, notes, or bonds with a remaining maturity of 93 days or less or issued with a maturity of 93 days or less;

4. money received under repurchase agreements, with the permitted payment stablecoin issuer acting as a seller of securities and with an overnight maturity, that are backed by Treasury bills with a maturity of 93 days or less;
5. reverse repurchase agreements, with the permitted payment stablecoin issuer acting as a purchaser of securities and with an overnight maturity, that are collateralized by Treasury notes, bills, or bonds on an overnight basis, subject to overcollateralization in line with standard market terms that are tri-party, centrally cleared through a clearing agency registered with the United States Securities and Exchange Commission (the SEC), or bilateral with a counterparty that the issuer has determined to be adequately creditworthy even in the event of severe market stress;
6. securities issued by an investment company or other registered Government money market fund and that are invested solely in underlying assets described in (i)–(v) above;
7. any other similarly liquid Federal Government-issued asset approved by the primary Federal payment stablecoin regulator, in consultation with the State payment stablecoin regulator (as defined in Section 2 of the Act), if applicable, of the permitted payment stablecoin issuer; or
8. any reserve described in (i)–(iii) or (vi)–(vii) in tokenized form.

Reserves may not be pledged, rehypothecated, or reused by the permitted payment stablecoin issuer except to (a) satisfy margin obligations in connection with investments in permitted reserves identified in (iv)–(v) above; (b) satisfy obligations associated with standard custodial services; or (c) create liquidity to meet reasonable expectations of requests to redeem payment stablecoins, such that reserves in the form of Treasury bills may be sold as purchased securities for repurchase agreements with a maturity of 93 days or less, provided that (1) the repurchase agreements are cleared by a clearing agency that is registered with the SEC or (2) the permitted payment stablecoin issuer receives the prior approval of its primary Federal payment stablecoin regulator or State payment stablecoin regulator, as applicable.

Redemption Policy

A permitted payment stablecoin issuer's redemption policy must establish clear procedures for timely redemption of outstanding payment stablecoins and publicly and clearly disclose in plain language all fees associated with purchasing or redeeming the payment stablecoins. Any such fees may only be changed with at least seven days' prior notice to consumers.

Published Reserves

When a permitted payment stablecoin issuer publishes the monthly composition of reserves on its website, it must include the total number of outstanding payment stablecoins issued and the amount and composition of the reserves, including the average tenor and geographic location of custody of each category of reserve instrument. Each monthly report must be examined by a registered public accounting firm, and the chief executive officer and chief financial officer of each permitted payment stablecoin issuer must submit a certification as to the accuracy of each such report to either the primary Federal payment stablecoin regulator or the State payment stablecoin regulator, as applicable.

Capital, Liquidity, and Risk Management Requirements

Primary Federal payment stablecoin regulators and State qualified payment stablecoin regulators are responsible for issuing regulations regarding capital requirements, liquidity, reserve asset diversification and interest rate risk management standards.

Treatment Under the Bank Secrecy Act and Sanctions Laws

A permitted payment stablecoin issuer is treated as a financial institution under the Bank Secrecy Act. As a result, it is subject to all Federal laws applicable to financial institutions located in the United States relating to economic sanctions, prevention of money laundering, customer identification, and due diligence. Such laws include the following:

1. an effective anti-money laundering program;
2. record retention;
- monitoring and reporting suspicious transactions;
1. technical capabilities, policies, and procedures to block, freeze, and reject specific or impermissible transactions that violate Federal or State laws, rules, or regulations;
2. an effective customer identification program, including identification and verification of account holders, high-value transactions, and appropriate enhanced due diligence; and
3. an effective economic sanctions compliance program.

Limitation on Payment Stablecoin Activities

The GENIUS Act limits permitted payment stablecoin issuers to undertaking the following activities:

1. issuing payment stablecoins;
2. redeeming payment stablecoins;
3. managing related reserves;
4. providing custodial or safekeeping services; and
5. other activities that directly support any of the activities described in (i)–(iv) above.

Additionally, a permitted payment stablecoin issuer may not provide services to a customer on the condition that such customer obtain an additional paid product or service for such permitted payment stablecoin issuer or any of its subsidiaries. Similarly, a permitted payment stablecoin issuer may not condition its services on a customer's agreement not to obtain an additional product or service from a competitor (collectively, the Tying Prohibitions).

A permitted payment stablecoin issuer is also prohibited from both using any terms relating to the United States government in the name of a payment stablecoin or marketing payment stablecoins in a way that would cause a reasonable person to believe that the payment stablecoins are legal

tender, issued by the United States, or guaranteed or approved by the United States government. However, abbreviations directly relating to the currency to which a payment stablecoin is pegged (e.g., USD) are not prohibited.

The GENIUS Act further limits the activities of permitted payment stablecoin issuers and foreign payment stable issuers by preventing such issuers from paying the holder of any payment stablecoin any form of interest or yield solely in connection with the holding, use, or retention of such payment stablecoin.

Audits and Reports

A permitted payment stablecoin issuer that has over \$50 billion in consolidated total outstanding issuance and is not subject to reporting requirements under section 13(a) or 15(d) of the Exchange Act must prepare an annual audited financial statement in accordance with GAAP, which must include the disclosure of any related party transactions.

Public Companies and Foreign Companies

Public companies and companies not domiciled in the United States or its territories that are not predominantly engaged in one or more financial activities (as defined in section 4(k) of the Bank Holding Company Act of 1956), and their wholly or majority owned subsidiaries or affiliates, may not issue a payment stablecoin unless such company obtains a unanimous vote of the Stablecoin Certification Review Committee (the SCRC) finding that:

1. it will not pose a material risk to the safety and soundness of the United States banking system, the financial stability of the United States, or the Deposit Insurance Fund;
2. it will comply with data use limitations regarding nonpublic personal information obtained from stablecoin transactions; and
3. it and its affiliates will comply with the Tying Prohibitions under the Act.

The Secretary, the Chair of the Board of Governors of the Federal Reserve System (the Federal Reserve) or the Vice Chair for Supervision (as delegated by the Chair of the Federal Reserve), and the Chair of the FDIC each serve on the SCRC, and the Secretary serves as the Chair.

State-Level Regulatory Regimes

A State qualified payment stablecoin issuer with a consolidated total outstanding issuance of \$10 billion or less may choose to be regulated under a State-level regulatory regime if such State-level regulatory regime is substantially similar to the Federal regulatory framework under this Act.

State Certification

Within one year of the effective date of the GENIUS Act, a State payment stablecoin regulator must submit to the SCRC an initial certification that the State-level regulatory regime meets the criteria for substantial similarity to the Federal regulatory framework. Such certification must be renewed annually. The SCRC will have 30 days to approve or deny the certification. In the event a

certification is denied, the State payment stablecoin regulator will have an opportunity to make any necessary changes and resubmit the initial certification or recertification. If the State payment stablecoin regulatory is denied by the SCRC again, such regulator may appeal to the United States Court of Appeals for the District of Columbia Circuit.

The Secretary will publish and maintain a list of States that have submitted initial certifications and recertifications.

Transition to Federal Oversight

A State qualified payment stablecoin issuer, including a State chartered depository institution that is a State qualified payment stablecoin issuer, with a payment stablecoin with a consolidated total outstanding issuance of more than \$10 billion must either:

1. transition to the Federal regulatory framework of the primary Federal payment stablecoin regulator of the State payment stablecoin regulator or State chartered depository institution within 360 days after the payment stablecoin reaches such threshold; or
2. beginning on the date the payment stablecoin reaches such threshold, cease issuing new payment stablecoins until the payment stablecoin falls under the threshold.

However, the applicable primary Federal payment stablecoin regulator may grant a waiver allowing a State qualified payment stablecoin issuer with a payment stablecoin that exceeds the \$10 billion threshold in total outstanding issuance to remain solely supervised by a State payment stablecoin regulator. The primary Federal payment stablecoin regulator will consider the following criteria of the State qualified payment stablecoin issuer when determining whether to grant such a waiver:

1. capital maintained;
2. past operations and examination history;
3. experience supervising payment stablecoin and digital asset activities; and
4. supervisory framework with respect to payment stablecoins and digital assets.

A State qualified payment stablecoin issuer subject to Federal oversight that does not receive a waiver will continue to be supervised by the State payment stablecoin regulator of the State qualified payment stablecoin issuer jointly with the primary Federal payment stablecoin regulator.

Misrepresentation of Insured Status

The following activities are unlawful under the GENIUS Act:

1. representing 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; and
2. marketing a product in the United States as a payment stablecoin unless the product is issued pursuant to the Act.

Any violations of (ii) above carry up to a \$500,000 fine for each violation.

Officers or Directors Convicted of Certain Felonies

Any individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud may not serve as an officer or director of a payment stablecoin issuer. A violation of this prohibition can carry up to a \$1,000,000 fine for each such violation and/or imprisonment for up to five years.

Section 5. Approval of Subsidiaries of IDIs and Federal Qualified Payment Stablecoin Issuers.

Under the GENIUS Act, each primary Federal payment stablecoin regulator will receive, review, and consider for approval applications from any IDI that seeks to issue payment stablecoins through a subsidiary and any nonbank entity (as defined in Section 2 of the Act), Federal branch, or uninsured national bank that is chartered by the Office of the Comptroller of the Currency (the OCC), and that seeks to issue payment stablecoins as a Federal qualified payment stablecoin issuer. A primary Federal payment stablecoin regulator will consider the following factors when evaluating such applications:

1. the ability of the applicant (or, in the case of an applicant that is an IDI, the subsidiary of the applicant), based on financial condition and resources, to meet the requirements set forth under Section 4 of the Act;
2. whether an individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud is serving as an officer or director of the applicant;
3. the competence, experience, and integrity of the officers, directors, and principal shareholders of the applicant, its subsidiaries, and parent company;
4. whether the redemption policy of the applicant meets the standards under Section 4(a)(1)(B) of the Act; and
5. any other factors established by the primary Federal payment stablecoin regulator that are necessary to ensure the safety and soundness of the permitted payment stablecoin issuer.

Notification

A primary Federal payment stablecoin regulator must notify an applicant within 30 days after receiving an application as to whether such application is deemed substantially complete or, if not, what additional information the applicant must provide. An application under this section will remain substantially complete unless there is a material change in circumstances requiring the primary Federal payment stablecoin regulator to treat the application as new. A primary Federal payment stablecoin regulator must render a decision on an application within 120 days after receiving a substantially complete application. If a primary Federal payment stablecoin regulator does not

render a decision on a complete application within this timeframe, such application will be deemed approved.

Denied Applications

If a primary Federal payment stablecoin regulator denies a complete application, the regulator must provide the applicant with a written explanation within 30 days of the date of the denial, identifying all material shortcomings in the applicant's application and recommendations as to how such shortcomings could be addressed. The denial of an application does not preclude the applicant from filing a subsequent application.

Opportunity for Hearing

Within 30 days after receipt of a notice of denial of an application, the applicant may make a written request to the primary Federal payment stablecoin regulator for a written or oral hearing to appeal the denial. A primary Federal payment stablecoin regulator must schedule a time within 30 days after the date of receipt of such a timely request. The primary Federal payment stablecoin regulator will notify the applicant within 60 days after a hearing of a final determination.

Safe Harbor for Pending Applications

A primary Federal payment stablecoin regulator may waive the application requirements for up to 12 months from the effective date of the GENIUS Act with respect to (i) a subsidiary of an IDI, if the IDI has an application pending for the subsidiary to become a permitted payment stablecoin issuer on that effective date; or (ii) a Federal qualified payment stablecoin issuer with a pending application on that effective date.

Certification Required

Within 180 days after an application is approved and on an annual basis thereafter, each permitted payment stablecoin issuer must provide its primary Federal payment stablecoin regulator, or a State payment stablecoin regulator in the case of a State qualified payment stablecoin issuer, a certification that the permitted payment stablecoin issuer has implemented anti-money laundering and economic sanctions compliance programs. The primary Federal payment stablecoin regulator or State payment stablecoin regulator of a permitted payment stablecoin issuer that does not provide the required certification may revoke the approval of such payment stablecoin issuer. The Act also provides for criminal penalties in the event that any person knowingly submits a false certification or otherwise violates the certification requirement.

Section 6. Supervision and Enforcement With Respect to Federal Qualified Payment Stablecoin Issuers and Subsidiaries of IDIs

Supervision

Permitted payment stablecoin issuers—other than State qualified payment stablecoin issuers—with a consolidated total outstanding balance of less than \$10 billion are subject to supervision by the appropriate primary Federal payment stablecoin regulator. Each of these permitted payment stablecoin issuers must, upon request, submit reports to the applicable regulator, detailing their financial condition, risk monitoring systems, compliance with the Act, and compliance with the Bank Secrecy Act and sanctions laws.

The primary Federal payment stablecoin regulator is required to examine permitted payment stablecoin issuers to assess their operations, financial condition, and risk management systems. The regulator, however, must meet the Act's requirements for efficiency by using existing reports and supervisory information to avoid duplication in its examinations and only request examinations and reports at a cadence and in a format that is comparable to similarly situated entities.

Penalties

The primary Federal payment stablecoin regulator can suspend or revoke the registration of permitted payment stablecoin issuers if they are found to be willfully or recklessly violating the Act or any regulation or order issued under the Act. Cease-and-desist proceedings can also be initiated if there is reasonable cause to believe that such violations are occurring or have occurred. The primary Federal payment stablecoin regulator also has authority to remove an institution-affiliated party (as defined in Section 2 of the Act) of the stablecoin issuer from his or her position or office if he or she commits a knowing violation of (i) the Act and its regulations or (ii) certain record and reporting provisions of the Bank Secrecy Act.

Procedures and Penalties

The GENIUS Act outlines specific procedures for enforcement actions, including providing opportunities for judicial review and temporary cease-and-desist orders, if necessary. The Act also authorizes civil penalties of up to \$100,000 per day for certain infractions. The Federal payment stablecoin regulator's jurisdiction to issue notice and orders against institution-affiliated parties is limited to within six years of such party's departure from the permitted payment stablecoin issuer.

Section 7. State Qualified Payment Stablecoin Issuers

The Act provides State payment stablecoin regulators with supervisory, examination, and enforcement authority over all State qualified stablecoin issuers within their jurisdiction.

Relationship with the Federal Reserve

State payment stablecoin regulators may enter into a memorandum of understanding with the Federal Reserve, which allows the Federal Reserve to participate in the supervision, examination, and enforcement of the Act with respect to State qualified stablecoin issuers. In fact, both the Federal Reserve and State payment stablecoin regulator are required to share information, including

a permitted payment stablecoin issuer's initial application and any accompanying documents. Moreover, the Federal Reserve is permitted to take enforcement action in unusual and exigent circumstances against State qualified payment stablecoin issuers. If such circumstances exist, the Federal Reserve may impose restrictions, including limitations on redemptions of payment stablecoins if the Federal Reserve determines that a State qualified payment stablecoin issuer poses a serious risk to the financial safety, soundness, or stability of the issuer. The State qualified payment stablecoin issuer may object to the Federal Reserve's restrictions in writing. If the Federal Reserve does not affirm, modify, or rescind its directive within 10 days of the issuer's response, the Federal Reserve's directive automatically lapses. The Federal Reserve's determinations also remain subject to administrative and judicial review.

Relationship with the OCC

The OCC has similar authority to the Federal Reserve in taking enforcement action against a State qualified payment stablecoin issuer under unusual and exigent circumstances. The OCC must issue rules to define these circumstances.

Effect on State Law

The Act provides that the laws of a host State apply to the activities in the host State by out-of-state qualified payment stablecoin issuers to the extent such laws apply to the activities conducted in the host State by an out-of-state Federal qualified payment stablecoin issuer. If the laws of the host State do not apply, the laws of the home State of the State qualified payment stablecoin issuer govern. Generally, this provision only applies to out-of-state State qualified payment stablecoin issuers chartered or licensed by a State with a certification in place under the Act. See *Section 4. Requirements for Issuing Payment Stablecoins—State Certification* to this Appendix 2 for a more detailed discussion of State certification.

Section 8. Anti-Money Laundering Protections

Payment Stablecoins Issue by Foreign Payment Stablecoin Issuers

The GENIUS Act provides that any stablecoin issued by a foreign issuer may not be publicly offered or made available in the United States unless the foreign issuer has the technological capability to comply with any lawful order (as defined in Section 2 of the Act). The Secretary has the authority to designate foreign issuers as noncompliant after providing notice to the issuer of its noncompliant designation in writing. This determination of noncompliance is then subject to judicial review in the United States Court of Appeals for the District of Columbia Circuit.

If the foreign issuer does not comply with the Secretary's order within 30 days of notification of its violation, the Secretary must publish its determination of noncompliance in the Federal Register and issue a notice prohibiting digital asset providers from facilitating secondary trading of the issuer's stablecoins in the United States. This prohibition is effective 30 days after the notice of the prohibition is posted in the Federal Register, and this prohibition on trading expires once the

Secretary determines the issuer is compliant. Criteria for foreign issuer compliance will be specified in future rulemakings.

Penalties

Digital asset service providers that knowingly violate prohibitions on secondary trading of foreign issued stablecoins described above are subject to penalties of up to \$100,000 per day. Noncompliant foreign issuers that knowingly continue to offer stablecoins after being deemed noncompliant are subject to penalties of up to \$1 million per day and injunctions. The Secretary may also commence civil actions against foreign payment stablecoin issuers to recover these civil penalties or seek an injunction.

Waivers for Secondary Trading

The Secretary may issue a waiver or general or specific license to United States persons engaging in otherwise prohibited secondary trading of foreign issuer stablecoins if the Secretary determines that (i) the prohibition would adversely affect the United States financial system or (ii) the foreign payment stablecoin issuer is taking steps to remedy its noncompliance. Waivers can also be granted in consultation with the Director of National Intelligence and the Secretary of State in cases involving national security and for intelligence and law enforcement activities.

Section 9. Anti-Money Laundering Innovation

Public Comment

Public comments will be sought starting 30 days after enactment of Act and will stay open for 60 days thereafter to identify innovative methods, techniques, and strategies that regulated financial institutions use, or have the potential to use, to detect illicit activity and money laundering involving digital assets. Comments are encouraged to address the use of blockchain technology and monitoring, digital identity verification, artificial intelligence, and application program interfaces.

Post-Comment Research

Following completion of the public comment period, the Secretary will conduct research on the methods and matters outlined in the comments. The Financial Crimes Enforcement Network (FinCEN) will also evaluate and consider the following factors when evaluating the novel methods published in the comments and researched by the Secretary:

1. improvements in the ability of the financial institution to detect illicit activity involving digital assets;
2. costs to regulated financial institutions;
3. the amount and sensitivity of information collected and reviewed; privacy and cybersecurity risks;
4. operational challenges; and

5. effectiveness at mitigating illicit finance.

The Secretary must also assess risks related to money laundering and illicit activity with respect to its national strategy for combating terrorist activity and other illicit financing under sections 261 and 262 of the Countering America's Adversaries Through Sanctions Act.

Within three years of the Act's enactment, FinCEN will also issue guidance and rules based on the research and risk assessments completed by Treasury and outlined in the public comments. This guidance will address (a) implementation of innovative techniques by regulated financial institutions to detect illicit activity involving digital assets, (b) standards for payment stablecoin issuers to identify and report illicit activity, money laundering, sanctions evasion, and insider trading, (c) standards for payment stablecoin issuers to monitor the blockchain, digital asset mixing, and tumbler services, and (d) risk management standards for financial institutions and decentralized finance protocols.

Post-Enactment Recommendations to Congress

By January 14, 2026 (180 days after enactment of the Act), the Secretary must submit a report to Congress detailing (i) legislative and regulatory proposals to support financial institutions in developing innovative methods to detect illicit activities, (ii) results of research and risk assessments, (iii) efforts to support financial institutions to detect illicit activity, (iv) the extent that blockchain and mixing services facilitate illicit activity, and (v) legislative recommendations related to the decentralized finance definition of "digital asset service provider."

Section 10. Custody of Payment Stablecoin Reserve and Collateral

Section 10 provides that a person may only provide custodial or safekeeping services for payment stablecoin reserves, payment stablecoins used as collateral, or private keys used to issue payment stablecoins if they are subject to certain supervision. This includes (i) supervision or regulation by a primary Federal payment stablecoin regulatory or a primary financial regulatory agency described in section 2(12)(B) or (C) of the Dodd-Frank Act or (ii) supervision by a State bank supervisor (as defined under section 3 of the Federal Deposit Insurance Act) or a State credit union supervisor (as defined under section 6003 of the Anti-Money Laundering Act).

Persons are not, however, subject to this supervision if they hold such property in accordance with similar requirements set by a primary Federal payment stablecoin regulator, the SEC, or the Commodity Futures Trading Commission (the CFTC).

Any person providing such custodial or safekeeping services must further treat and deal with a customer's stablecoins, private keys, property, and cash as belonging to the customer and take steps to protect the customer's property from the claims of the person's creditors. The Act does, however, allow the property of the permitted payment stablecoin issuer or customer to be withdrawn as necessary to transfer, adjust, or settle a transaction or transfer of assets such as payment of

commissions, taxes, storage, and other lawful charges in connection with the custodial provider's services.

Customer Priority

The claims of a customer against such person with respect to payment stablecoins have priority over the claims of any other person—other than the claims of another customer with respect to the payment stablecoins—unless the customer consents to the priority of such other claim.

Regulatory Requirements

A person providing custodial or safekeeping services must submit information about their business operations and processes to protect customer assets to the applicable primary Federal payment stablecoin regulator.

Prohibition on Commingling

All payment stablecoin reserves, payment stablecoins, cash, and other property of a permitted payment stablecoin issuer or customer must be separately accounted for and not commingled with the assets of the person providing custodial services. The Act contains two exceptions that allow commingling:

1. The property of a permitted payment stablecoin issuer or customer can be commingled if it is deposited in an omnibus account at a State chartered depository institution, an IDI, national bank, or trust company. Any payment stablecoin reserves in the form of cash held in the form of a deposit liability at a depository institution is not required to be separated from the cash or property of the depository institution.
2. Commingling and depositing of property in permitted payment stablecoin issuer or customer accounts are allowed, subject to the terms and conditions, rules, and regulations prescribed by a primary Federal payment stablecoin regulator.

IDIs that provide custodial or safekeeping services for payment stablecoin reservices may hold such reserves in the form of cash on deposit, provided such treatment is consistent with Federal law.

Exclusion

The requirements in Section 10 of the Act do not apply to persons solely in the business of providing hardware for customers to self-custody their payment stablecoins or private keys.

Section 11. Treatment of Payment Stablecoin Issuers in Insolvency Proceedings

Priority in Bankruptcy Proceedings

In insolvency proceedings of stablecoin issuers, the claims of those holding stablecoins will have priority over the issuers themselves. Under the Act, any persons holding a payment stablecoin issued by the permitted stablecoin issuer is deemed to hold such a claim. However, the priority identified above will not apply to claims other than those arising directly from the holding of payment stablecoins.

Intervention

The OCC or State payment stablecoin regulator may raise and be heard on any issue in which the debtor is a permitted payment stablecoin issuer.

Application of Existing Insolvency Law

Under the GENIUS Act, insolvency proceedings are to be resolved by the Federal Deposit Insurance Corporation (the FDIC), National Credit Union Administration (NCUA), or State payment stablecoin regulator.

Study by Primary Federal Payment Stablecoin Regulators

Under the GENIUS Act, primary Federal stablecoin regulators are required to perform a study of the potential insolvency proceedings of permitted payment stablecoin issuers. This study must address, but is not limited to addressing, the following:

1. gaps in bankruptcy laws that govern stablecoin issuers;
2. whether stablecoin holders can be paid in full following an insolvency event by a stablecoin issuer; and
3. whether additional authorities are needed to assist in implementing insolvency regimes.

Within three years following the GENIUS Act's enactment, the primary Federal stablecoin regulators identified above must submit a report containing their findings to the Senate Committee on Banking, Housing, and Urban Affairs as well as the House Committee on Financial Services.

Section 12. Interoperability Standards

In consultation with the National Institute of Standards and Technology, primary Federal payment stablecoin regulators—alongside other relevant standard-setting authorities at the State and Federal levels—will prescribe standards for permitted payment stablecoin issuers that are designed to promote compatibility and interoperability with other actors in the stablecoin space. Here, the GENIUS Act focuses on compatibility and interoperability across other permitted payment stablecoin issuers and actors across the broader digital finance ecosystem.

Section 13. Rulemaking

Within one year following the GENIUS Act's enactment, the Secretary, primary Federal payment stablecoin regulators, and State payment stablecoin regulators will promulgate additional regulations intended to carry out the provisions of this Act through notice and comment rulemaking.

Coordination

The Act also recommends that the authorities listed above coordinate on their regulations to carry out the Act.

Report Required

The GENIUS Act contains a 180-day reporting requirement, whereby the Federal banking agencies identified above will submit their report to the Senate Committee on Banking, Housing, and Urban Affairs as well as the House Committee on Financial Services.

Section 14. Study on Non-Payment Stablecoins

Study by Treasury

1. Further, the GENIUS Act requires the Secretary, the OCC, the FDIC, the SEC, and the CFTC to conduct a study of non-payment stablecoins. This study must address, but is not limited to addressing, the following:
2. categories of non-payment stablecoins, including the benefits and risks of technological design features;
3. participants in non-payment stablecoin arrangements;
4. utilization and potential utilization of non-payment stablecoins;
5. nature of reserve compositions;
6. types of algorithms being employed;
7. governance structure, including aspects of decentralization;
8. nature of public promotion and advertising; and
9. clarity and availability of consumer notices disclosures.

The GENIUS Act requires the study to address endogenously collateralized payment stablecoins, which refers to any digital asset where (a) the originator of which has represented will be converted, redeemed, or repurchased for a fixed amount of monetary value; and (b) that relies solely on the value of another digital asset created or maintained by the same originator to maintain the fixed price.

Report

Within one year of the GENIUS Act's enactment, the Secretary must publish these findings in a report to the Senate Committee on Banking, Housing, and Urban Affairs as well as the House Committee on Financial Services.

Section 15. Reports

Annual Reporting Requirement

On July 18, 2025 (one year following the GENIUS Act's enactment) and annually thereafter, primary Federal payment stablecoin regulators, in consultation with State payment stablecoin regulators, as necessary, must submit a report to the Senate Committee on Banking, Housing, and Urban Affairs, the House Committee on Financial Services, and the Director of the Office of Financial Research that addresses the status of the payment stablecoin industry. This study should address, but is not limited to addressing, the following:

1. a summary of trends in stablecoin activities;
2. a summary of the number of applications for approval as a permitted payment stablecoin issuer under section 5, including aggregate approvals and rejections of applications; and
3. a description of the potential financial stability risks posed to the safety and soundness of the broader financial system by payment stablecoin activities.

The Financial Stability Oversight Council will then incorporate these findings into their annual report to the Council under the Financial Stability Act of 2010.

Section 16. Authority of Banking Institutions

The GENIUS Act further clarifies the authority of banking institutions—including depository institutions, Federal and State credit unions, national banks, and trust companies—to issue digital assets representing deposits or shares, utilize distributed ledgers for books and records, and provide custodial services for payment stablecoins.

Treatment of Custody Activities

At the same time, the Act also limits the authority of Federal agencies to require banking institutions to include digital assets on their financial statement or balance sheet, and to hold or safekeep regulatory capital against such digital assets. The only exception is when doing so is necessary to mitigate against operational risks inherent with the custody or safekeeping services, as determined by the appropriate Federal banking agency, NCUA, State bank supervisor, or State credit union supervisor.

State-Chartered Depository Institutions

The Act further clarified the authority of State-chartered depository institutions to engage in money transmissions or provide custodial services through permitted stablecoin issuers within the State. State-chartered depository institutions may do so if they are required by the laws or regulations of the home State to establish and maintain liquidity and are required by the laws or regulations of the home State to establish and maintain adequate capital.

Further, the GENIUS Act notes that this section is not intended to limit the authority of State bank regulators to perform examinations of a depository institution's subsidiary permitted payment stablecoin issuer or activities conducted through the permitted payment stablecoin issuer to ensure they are in compliance with State-level consumer protection laws.

Section 17. Amendments to Clarify that Payment Stablecoins Are Not Securities or Commodities and Permitted Payment Stablecoin Issuers Are Not Investment Companies

Amendments to Existing Legislation

The Act amends the definition of “security” in each of the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, and the Securities Investor Protection Act of 1970, and the definition of “commodity” in the Commodity Exchange Act, to carve out a payment stablecoin issued by a permitted payment stablecoin issuer.

Section 18. Exception for Foreign Payment Stablecoin Issuers and Reciprocity for Payment Stablecoins Issued in Overseas Jurisdictions

The GENIUS Act identifies exemptions to the prohibitions under Section 3 of the Act. Under the Act, such prohibitions will not apply to foreign payment stablecoin issuers if the foreign payment stablecoin issuer is subject to regulation and supervision by a foreign payment stablecoin regulator that is comparable to the regulatory and supervisory regime established under the GENIUS Act, is registered with the OCC, holds reserves in United States financial institutions sufficient to meet the liquidity demands of United States customers, and is domiciled and regulated in a country not subject to comprehensive sanctions by the United States or in a jurisdiction that the Secretary had determined to be a jurisdiction of primary money laundering concern.

Treasury Determination

Furthermore, the Secretary may determine whether a foreign country's regulatory regime is comparable to that established under the GENIUS Act. In making this determination, the Secretary must account for recommendations made by other members of the SCRC.

Foreign payment stablecoin issuers or regulators may request such determinations from the Treasury Secretary, which the Secretary must render a decision on no later than 210 days after receiving the determination request.

Rescission of Determination

The Secretary may revoke its determinations if the Secretary concludes that the regulatory regime of the foreign country is no longer comparable to the regulatory or supervisory regime established under the GENIUS Act. Following such rescission, the digital asset service provider will have a 90-day safe harbor before it is in violation of Section 3 of the Act.

Public Notice and Rulemaking

The Secretary will make public a list of foreign countries for which the above determinations were made. Further, within one year after the GENIUS Act's enactment, the Secretary may issue rules required to carry out these provisions.

Registration

Under the Act, a foreign payment stablecoins issuer may sell payment stablecoins using a digital asset service provider if the foreign payment stablecoin issuer is registered with the OCC. In assessing whether to reject a foreign payment stablecoin issuer's registration, the OCC will consider the following factors:

1. final determination by the Treasury Secretary;
2. financial and managerial resources of the United States operations of the foreign payment stablecoin issuer;
 - whether the foreign payment stablecoin issuer will provide sufficient information to the OCC to determine compliance with the Act;
1. whether the foreign payment stablecoin is a risk to the financial stability of the United States; and
2. whether the foreign payment stablecoin issuer presents illicit finance risks to the United States.

If the foreign payment stablecoin issuer wishes to challenge the OCC's designation, the issuer must file an appeal within 30 days following receipt of the rejection.

The OCC will maintain a publicly available list of registered foreign payment stablecoin issuers.

Ongoing Monitoring

Foreign payment stablecoin issuers must consent to United States jurisdiction relating to the enforcement of the GENIUS Act and will be subject to reporting, supervision, and examination requirements as determined by the OCC. If a foreign payment stablecoin issuer fails to comply with the GENIUS Act, the OCC may rescind such issuer's registration. Additionally, the Secretary may revoke the registration of a foreign payment stablecoin issuer if the Secretary reasonably determines that the foreign payment stablecoin issuer presents economic sanctions evasion, money laundering, or other illicit finance risks or violations, or is facilitating violations thereof.

Reciprocity

Under the Act, the Secretary may create reciprocal arrangements and other bilateral agreements between the United States and foreign jurisdictions with payment stablecoin regulatory regimes comparable to that established by the Act. The Secretary will consider whether such foreign jurisdictions have (i) similar requirements to those under Section 4(a) of the Act for issuing payment stablecoins, (ii) an adequate anti-money laundering program and counter-financing of terrorism program, and adequate sanction compliance standards, and (iii) adequate supervisory and enforcement capacity to facilitate international transactions and interoperability with United States dollar-denominated payment stablecoins issued overseas..

Publication and Completion

The Secretary will publish any agreements or arrangements discussed in this section within 90 days of their entering into force. The Secretary will also complete the arrangements under Section 18 of the Act within two years following the Act's enactment.

Section 19. Disclosure Relating to Payment Stablecoins

Under the GENIUS Act, stablecoin deposits over \$5,000 issued by permitted payment stablecoin issuers will be subject to Federal financial disclosure requirements.

Section 20. Effective Date

The GENIUS Act, as well as subsequent amendments to the Act, will become effective on the earlier of (i) 18 months following the Act's enactment or (ii) 120 days after the primary Federal payment stablecoin regulator issues final regulations implementing this Act.

[\[1\]](#) Although the Act does not regulate non-payment stablecoins, it directs the Secretary of the Treasury to conduct a study of non-payment stablecoins and submit the report to the Senate Banking Committee and the House Financial Services Committee within one year of enactment.

[\[2\]](#) State-chartered banks would also be required to comply with State law requirements, which may require prior approval of the bank's home State regulator to establish a new subsidiary as a permitted payment stablecoin issuer.

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Gibson Dunn's lawyers are available to assist with any questions you may have regarding these developments. To learn more, please contact the Gibson Dunn lawyer with whom you usually work, any leader or member of the firm's [Fintech & Digital Assets](#) practice group, or the authors:

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