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OCC Proposes Comprehensive Stablecoin Regulatory Framework to Implement the GENIUS Act

The OCC proposal sets forth a detailed prudential, operational and supervisory framework for “permitted payment stablecoin issuers” and marks the first comprehensive federal implementing rule under the GENIUS Act.

On February 25, 2026, the Office of the Comptroller of the Currency (OCC) [issued](#) a proposed rule (Proposal) to implement the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the GENIUS Act) for entities within the OCC’s jurisdiction. The Proposal would establish a new regulatory framework governing the issuance of “payment stablecoins” and related custody activities of national banks, federal savings associations, federal branches of foreign banks, foreign payment stablecoin issuers, federal qualified payment stablecoin issuers and certain state qualified payment stablecoin issuers.

The Proposal sets forth a detailed prudential, operational and supervisory framework for “permitted payment stablecoin issuers” (PPSIs) and marks the first comprehensive federal implementing rule under the GENIUS Act. The Proposal would operationalize the GENIUS Act’s statutory requirements, including licensing, reserve composition, capital and liquidity standards, governance and risk management expectations, supervisory reporting and statutory restrictions on PPSI activities.

Comments on the Proposal are due 60 days following publication in the *Federal Register*. The Proposal contains a comprehensive set of targeted requests for comment (well over 200 discrete questions with multiple subparts) spanning definitions, reserve design, capital methodology, anti-evasion mechanics, operational timing, and interoperability. The OCC explicitly invites evidence and data to support preferred calibrations.

Scope and Covered Entities

The Proposal would apply to PPSIs within the OCC's jurisdiction under the GENIUS Act, including:

- Subsidiaries of national banks and federal savings associations that are organized as PPSIs and approved by the OCC;
- Federal qualified nonbank PPSIs chartered or licensed by the OCC pursuant to the GENIUS Act;
- Foreign payment stablecoin issuers to the extent they fall within OCC regulatory or enforcement authority under the statute;
- State-qualified payment stablecoin issuers that exceed the statutory issuance threshold and transition to federal oversight; and
- National banks, federal savings associations, and federal branches engaged in custody or safekeeping of payment stablecoins or reserve assets subject to OCC supervision.

While the Proposal references Bank Secrecy Act and sanctions compliance as applicable legal requirements, it notes that detailed anti-money laundering and sanctions standards will be proposed in a separate coordinated rulemaking.

Permissible and Prohibited Activities of PPSIs

Permissible Activities

The GENIUS Act limits the types of activities that may be conducted by a PPSI to (i) issuing or redeeming payment stablecoins; (ii) managing related reserves; (iii) providing custodial or safekeeping services for payment stablecoins, required reserves, or private keys of payment stablecoins; and (iv) other activities that directly support these enumerated activities.

The Proposal closely tracks the GENIUS Act in defining permissible activities, while layering in clarifications and additional conditions. Permitted activities for PPSIs include:

- Issuing and redeeming payment stablecoins;
- Managing related reserves, including purchasing, selling, and holding “reserve assets” and providing custodial services for reserves, consistent with applicable law;

- Providing custodial or safekeeping services for payment stablecoins, reserve assets, and private keys, subject OCC requirements;
- Undertaking “activities that directly support” these core functions (e.g., holding non stablecoin crypto assets as principal solely to test distributed ledger functionality); and
- Acting as principal or agent with respect to payment stablecoins and paying “gas” or network fees to facilitate customer transactions.

The OCC clarifies that these authorities sit alongside, and do not curtail, other powers of depository institutions and trust companies to engage in activities permissible pursuant to applicable state and federal law.

The Proposal also explicitly clarifies that stablecoin issuers may assess fees associated with purchasing or redeeming stablecoins, which the OCC views as inherent in the GENIUS Act’s authorized activities.

Prohibition on Payment of Interest or Yield

The Proposal implements the GENIUS Act’s prohibition on paying “any form of interest or yield” to holders “solely in connection with holding, using, or retaining” a payment stablecoin.

The Proposal goes beyond the statutory language to confront concerns on the use of affiliates or related third parties to circumvent this restriction. To address this concern, the Proposal introduces a rebuttable presumption that certain affiliate or third party arrangements designed to replicate yield economics are inconsistent with the statute. Even where the presumption does not apply, the OCC expressly reserves authority to evaluate arrangements on a case-by-case basis if they function as yield in economic substance. For the purposes of the prohibition, the Proposal would define a “related third party” to include “any person paying interest or yield to payment stablecoin holders as a service (i.e., on behalf of the [PPSI]) and any person that the issuer issues payment stablecoins on behalf or under the branding of (i.e., persons that have entered [a] white-label relationship with the issuer).” This anti-evasion presumption may be rebutted, but it is also not intended to be an exclusive example of prohibited relationships intended to evade the prohibition.

The breadth of this restriction is significant in that the prohibition is not limited to traditional interest payments and it potentially encompasses balance-based rewards, rebates, loyalty tokens, profit-sharing arrangements, or other economic benefits tied to holding stablecoin balances. Lastly, the formal legal separation between the issuer and a third-party partner will not be dispositive if economic substance suggests compensation for passive holding. The Proposal therefore places structural constraints on how stablecoin ecosystems may be monetized.

Notably, the Proposal specifically highlights that merchants are not prohibited from independently offering a discount for a holder that uses a specific stablecoin or for issuers to share profits with non-affiliated partners in a white-label agreement. However, the boundaries of this type of permissible activity are unclear.

Other Prohibited Activities

In addition to the prohibited payment of interest or yield, the Proposal includes a number of other prohibited activities, including:

- PPSIs may not use a deceptive name or combinations of terms suggesting U.S. government issuance or backing (e.g., “United States Government,” “USG”) in stablecoin names, and may not market payment stablecoins in a way that would cause a reasonable person to view them as legal tender, U.S. government issued, or guaranteed/approved by the United States. References to USD as a pegged currency are not impacted by this prohibition;
- PPSIs may not suggest that stablecoins are legal tender, backed by the full faith and credit of the United States or subject to federal deposit or share insurance; and
- PPSIs may not pledge, rehypothecate, or reuse required reserve assets, directly or indirectly (including via custodians), except in narrow circumstances.

Reserve Assets and Liquidity Requirements

As required under the GENIUS Act, the Proposal would require a PPSI to maintain identifiable reserve assets on a 1:1 basis backing the “outstanding issuance value” of the PPSI’s payment stablecoins. For these purposes, the Proposal defines “outstanding issuance value” to mean the total consolidated par value of all payment stablecoins for which the PPSI has an obligation to convert, redeem, or repurchase for a fixed amount of monetary value, which generally reflects payment stablecoins in circulation and excludes stablecoins held by a PPSI but not yet issued or permanently removed from circulation. Reserve assets must be maintained at fair value in an amount at least equal to the outstanding issuance value at all times. The OCC notes that the Proposal includes robust liquidity requirements, but does not include any capital-based overcollateralization or reserve asset buffer requirements. The OCC specifically requests comment on whether the final rule should include a reserve asset buffer requirement in excess of the outstanding issuance value and/or remove some of the liquidity requirements, or if the OCC should provide additional guidance on appropriate buffer levels for purposes of prudent risk management.

Eligible Reserve Assets

Under the Proposal, eligible reserve assets are limited to a statutory list of “high-quality, liquid instruments,” consistent with the GENIUS Act, and generally include the following categories:

- Cash and balances at the Federal Reserve;
- Short-term U.S. Treasury securities;
- Qualifying repurchase agreements backed by eligible Treasury collateral;
- Certain money market funds invested solely in eligible assets; and

- Tokenized representations of eligible reserve assets that meet specified criteria.

The Proposal excludes stablecoins themselves and other crypto assets as eligible reserve assets. This preserves the statute's requirement that reserves consist of traditional high-quality liquid assets and ensures that payment stablecoins are not backed by volatile or intrinsically unstable instruments.

Reserve Concentration Limits and Diversification Requirements

The Proposal would impose reserve asset diversification and deposit concentration requirements under two proposed frameworks.

Under "Option A" set forth in the Proposal, the OCC would adopt a principles-based diversification requirement, pursuant to which a PPSI would be required to maintain reserve assets that are sufficiently diverse to manage credit, liquidity, interest rate, and concentration risks, taking into account the PPSI's business model and risk profile. Option A would also include a safe harbor under which a PPSI would be deemed to satisfy the diversification requirement if, on each business day, the PPSI maintains:

- At least 10% of its required reserve assets as demand deposits or money at a Federal Reserve Bank;
- At least 30% of its reserve assets as demand deposits, at a Federal Reserve Bank, or amounts receivable and due unconditionally within five business days on pending sales of reserve assets, maturing reserve assets, or other maturing transactions;
- No more than 40% of its reserve assets at any one eligible financial institution, whether as deposits or insured shares at any one insured depository institution, securities custodied at any one eligible financial institution, bilateral reverse repurchase agreements with any counterparty, or through other exposures;
- No more than 50% of the amount required to be immediately available liquidity (i.e., at least 10% of reserve assets held as demand deposits or at a Federal Reserve Bank) at any one eligible financial institution; and
- Reserve assets with a weighted average maturity of no more than 20 days.

In addition, the Proposal would impose a mandatory minimum amount of insured deposit reserves—at least 0.5% of reserve assets, up to a maximum of \$500 million—for PPSIs with at least \$25 billion in stablecoin issuance value.

The OCC notes that Option A is intended to provide flexibility for PPSIs—particularly smaller, less complex issuers—to satisfy diversification standards without meeting all of the safe harbor requirements.

Under Option B, these same Option A quantitative benchmarks would apply – but they would be mandatory requirements for all PPSIs, rather than considered to be a safe harbor.

Segregation and Use Restrictions

The OCC's preamble emphasizes that reserve assets must be "segregated from the issuer's own operating assets" and held in a manner that protects them from commingling, rehypothecation for unrelated purposes, or loss in insolvency. This reflects the statutory objective of protecting holders' redemption rights by ensuring that reserves are legally and operationally insulated from the issuer's risk-taking or commercial activities.

Capital Requirements

Consistent with how the OCC evaluates and sets capital requirements for newly chartered national trust banks under OCC Bulletin 2007-21, the Proposal would require a PPSI to maintain capital sufficient to support its ongoing operations, with capital requirements tailored to the PPSI's business model and risk profile. At inception, a PPSI would be required to maintain capital equal to the greater of (1) the minimum amount specified in a de novo or other OCC approval order, or (2) \$5 million.^[1] In addition, each PPSI would be required to establish and maintain a process for assessing capital adequacy on an ongoing basis based on its risk profile and operating history, subject to supervisory review.

PPSIs would be required to maintain an operational liquidity backstop consisting of highly liquid assets generally sufficient to maintain operations of the stablecoin issuer during a business disruption and calculated based on the actual total operating expenses of the stablecoin issuer over the past 12 months, calculated quarterly. This liquidity backstop is consistent with the OCC's approach to chartering national trust banks, which typically requires a pool of liquid assets sufficient to cover six to 12 months of expenses.

PPSIs would also be required to include Accumulated Other Comprehensive Income (AOCI) as a component of CET1 capital. This inclusion would make PPSIs subject to potential regulatory capital volatility associated with changes in value of available-for-sale fixed income securities (e.g., due to changes in interest rates), though the OCC expects that any changes in value to the short-dated securities permitted to be held by PPSIs would likely generate immaterial amounts of AOCI.

While not in the proposed regulations, the OCC noted that it is also considering a variable capital component tied more directly to price and interest rate risk of stablecoin reserve assets. Under this approach, a capital charge would apply to reserve assets that consist of U.S. Treasuries, repurchase agreements, and tokenized versions of those assets.

PPSI Application Timeline and OCC Review Framework

The GENIUS Act provides that the OCC must act on certain applications within 120 days. The Proposal clarifies that this statutory review period begins only once the OCC determines that an application is "substantially complete."

The Proposal establishes application and approval requirements for entities seeking to become PPSIs under OCC supervision. Applicants must establish that they will satisfy the statutory and regulatory standards governing:

- Permissible and prohibited activities,
- Reserve assets and liquidity requirements,
- Redemption mechanics,
- Capital sufficiency,
- Operational resilience and internal controls, and
- Applicable compliance obligations.

The Proposal further notes that the OCC may impose conditions on approvals and retains authority to determine whether an applicant satisfies the statutory and regulatory criteria for PPSI status.

Covered Custodians

Safekeeping Standards

The Proposal prescribes standards consistent with the GENIUS Act for covered custodians providing custodial or safekeeping services for “covered assets”. Covered assets would include payment stablecoin reserves, payment stablecoins used as collateral, private keys used to issue payment stablecoins, and any cash or other property received in connection with the provision of custodial or safekeeping services for such assets. Covered custodians would include national banks, federal savings associations, federal branches, and PPSIs to the extent they engage in custody activities subject to the Proposal.

The Proposal would impose minimum principles-based requirements designed to ensure that covered assets are treated as customer property and protected from claims of the custodian’s creditors. Covered custodians would be required to maintain written policies, procedures, and internal controls commensurate with their size, complexity, and risk profile, and to separately account for covered assets. In addition, covered custodians would be required to maintain possession or control of covered assets that are held directly, including in a digital wallet for which the covered custodian controls the associated private keys.

The Proposal clarifies that certain segregation requirements of customer assets from that of the covered custodian do not apply in the case of a depository institution that provides custodial or safekeeping services for covered assets that are in the form of cash to the extent the depository institution holds such cash in the form of cash on deposit, provided such treatment is consistent with federal law.

The Proposal would permit omnibus arrangements for multiple customers’ covered assets if recordkeeping and controls are sufficient to preserve customers’ interests and meet safety and soundness standards.

Reporting

The OCC indicates a preference in the Proposal to leverage existing Call Report Schedule RC-T data for bank custodians and quarterly financial reporting for nonbank issuers, but is considering requiring covered custodians to report on a separate form maintained by the OCC: (1) total covered assets under custody, and (2) total payment stablecoin reserves under custody. For payment stablecoin reserves under custody, the OCC is further considering requiring covered custodians to report the following: (a) total payment stablecoin reserves under custody for (i) an affiliate and (ii) third parties; (b) total payment stablecoin reserves held in a deposit account at (i) the covered custodian and (ii) a third-party depository institution; (c) total payment stablecoin reserves held in a deposit account that are not covered by FDIC insurance at (i) the covered custodian and (ii) a third party depository institution; and (d) total payment stablecoin reserves held in each of the eight eligible reserve asset categories.

Other Notable Provisions:

- *Timely Redemptions.* The Proposal would require a PPSI to establish and publicly disclose policies and procedures providing for the “timely” redemption of payment stablecoins at par. Generally, a PPSI would be required to redeem a payment stablecoin no later than two business days following a valid redemption request. The Proposal highlights limited circumstances in which a payment redemption may be extended for up to seven calendar days – namely if a PPSI faces redemption demands in excess of 10% of its outstanding issuance value within a single 24-hour period. Upon such an event, the PPSI would be required to notify the OCC within 24 hours and timely redemptions would be immediately extended to seven calendar days.
- *Examination Cycles and Standards.* Consistent with the practice for national banks and federal savings associations, PPSIs would be subject to regular full-scope supervisory examinations at least once every 12 months, though in some cases every 18 to 36 months, as determined by the OCC in its sole discretion for PPSIs with an outstanding issuance value of less than \$1 billion or less than \$25 billion in total monthly trading volume that meet certain regulatory and compliance requirements. The OCC would also retain the flexibility to conduct more frequent or targeted examinations or reviews as it deems necessary.
- *Large State Issuers.* The Proposal would require if a state-regulated nonbank PPSI exceeds \$10 billion of payment stablecoins in circulation, it must notify the OCC within five business days of exceeding that threshold, complete a capital analysis within 270 days and transition to OCC oversight within 360 days, receive a waiver from the OCC, or otherwise cease issuing new payment stablecoins until the circulation amount is under the \$10 billion threshold (on a net basis).
- *Disclosures and Reporting.* The Proposal would impose explicit public disclosure obligations designed to reinforce transparency and reduce run risk. In particular, a PPSI would be required to establish and publicly disclose policies and procedures governing the “timely” redemption of payment stablecoins at par and publish monthly reports on reserves held. Each PPSI would be also required to submit to the OCC (i) a confidential weekly report regarding the issuance and redemption, trading volume and reserve assets for each issuance, (ii) a quarterly report on the financial condition of the PPSI within 30 days of the end of the prior quarter and (iii) audited financial statements annually within 120 days after the end of its fiscal year. In addition, PPSIs would be subject to several event-driven and supervisory notice requirements.

- *Open Question on Co-Branding and Multi-Brand Issuance.* The Proposal does not prohibit, but explicitly requests comment on whether a PPSI should be prohibited from issuing more than one brand of payment stablecoins, with the OCC noting in the preamble that it recognizes advantages PPSIs issuing under multiple brands, but also noted that it may also “foster uncertainty about reserve assets and encourage contagion and run risk among brands of payment stablecoins”. If multiple-brand issuances are not permitted by a PPSI, the OCC noted that it is considered streamlining the process for approving PPSI applications if an affiliate of the applicant has already been approved, in order to permit the sharing of back-office functions and services between legally separate issuers).
- *Transactions with Affiliates.* The Proposal would require a PPSI to ensure that transactions with affiliates and insiders are on market terms, “not excessive and do not pose a significant risk of material financial loss” and are “appropriately documented and reviewed by the board of directors” of the PPSI. The Proposal does not define what constitutes “excessive” or what may pose a “significant risk of material financial loss”.
- *Change in Control Review.* The Proposal would require that the OCC receive prior notice of any change in control of an OCC-regulated stablecoin issuer using definitions and procedures currently applicable to national banks under the OCC’s “Change in Bank Control Act” regulations. Under these standards, prior notice to the OCC may be required in some circumstances for the acquisition of a 10% or greater voting interest in a stablecoin issuer. The OCC would retain the right to approve, object or request additional time to review the proposed change in control.
- *State Law Preemption.* The OCC describes but does not codify several GENIUS Act provisions that it views as “self executing” and central to the federal–state allocation of authority. These include: (i) exclusive OCC licensing and visitorial authority over Federal qualified payment stablecoin issuers, preempting competing state licensing or charter requirements and (ii) preemption of state charter or licensing requirements for PPSIs. The OCC invites comment on whether these self-executing GENIUS Act provisions should nonetheless be reflected in OCC regulations for convenience.

Key Takeaways for Market Participants

- *Stablecoin issuance is being prudentialized — not lightly regulated.* The Proposal places payment stablecoins squarely within a bank-like supervisory framework emphasizing reserve integrity, capital adequacy, liquidity discipline, and governance. Stablecoin issuance will resemble specialized banking, not fintech licensing.
- *Regulatory calibration will drive economics.* Reserve diversification design, capital methodology, and the interest prohibition will likely shape economic outcomes more than technological design decisions.
- *Co-branding remains unresolved and strategically significant.* Multi-brand issuance models may be restricted or require structural separation. Institutions relying on ecosystem distribution should treat this as a core architectural issue.
- *Capital requirements will be case-by-case and negotiated.* Individualized capital determinations introduce uncertainty but also flexibility. Early engagement and robust risk modeling will be critical.
- *Liquidity risk tolerance is anchored to the two-day redemption standard.* Redemption timing expectations effectively define the minimum operational liquidity buffer.

- *Scaling introduces regulatory inflection points.* The proposed \$10 billion and \$50 billion issuance thresholds materially impact reporting, examination, and governance obligations.
- *The comment period is unusually consequential.* With more than 200 targeted questions and key areas where the OCC highlights openness to alternative proposals, stakeholders have a rare opportunity to shape the first generation of federal stablecoin prudential standards.

The Proposal represents the most comprehensive federal framework for payment stablecoins to date. Although it establishes a structured prudential regime, it leaves open critical design questions — particularly around reserve diversification, capital calibration, interest economics, and multi-brand issuance — that will shape competitive dynamics and ecosystem architecture.

For institutions considering entry into the stablecoin market, advocacy matters. The final contours of the rule will determine whether and how payment stablecoins evolve as foundational components of next-generation regulated payment infrastructure. Institutions that engage early — both strategically and in the comment process — will be best positioned to influence and adapt to the emerging regime.

[1] The OCC states in the Proposal that, based on its experience chartering de novo national trust banks seeking to provide stablecoin programs, “minimum capital amounts ranging from \$6.05 million to \$25 million would be necessary to establish a viable business model.”

Gibson Dunn’s lawyers are available to assist in addressing any questions you may have regarding these developments.

Please feel free to contact the Gibson Dunn lawyer with whom you usually work, any member of Gibson Dunn’s Financial Institutions, Financial Regulatory, Fintech and Digital Assets, Public Policy or Administrative Law and Regulatory practice groups, or the following authors:

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