


The GENIUS Act is Here. What Now?

The Guiding and Establishing National Innovation for US Stablecoins, or “GENIUS” Act, a sweeping legal framework for stablecoins in the US, was signed into law by President Trump on July 18, 2025. The law is expected to transform the legal landscape for stablecoins in the US, both for companies that want to issue and administer stablecoins, for banks and non-bank financial institutions, and for others wishing to engage with stablecoins in various ways.

Key Takeaways:

- The GENIUS Act is the first comprehensive legislation in the United States focused on the digital asset industry. By providing greater regulatory clarity, the act is likely to spur increased interest and activity in stablecoins, including the development of transaction, custody, payments, and issuance capabilities. Its passage may also pave the way for additional digital asset legislation later this year.
- The GENIUS Act applies to “payment stablecoins” and establishes several defined pathways for entities to issue payment stablecoins under a new licensing and regulatory regime.
- Issuers of a payment stablecoin will need to become a “Permitted Payment Stablecoin Issuer” or “PPSI” subject to federal or state supervision. There are also multiple potential pathways for foreign-located issuers. Each potential pathway has a number of benefits and drawbacks, and it will be important for issuers to carefully select the pathway that makes the most sense for their business.
- Many provisions of the GENIUS Act will phase in over time, and a transition period is built into the act for existing stablecoin issuers. Specifically, its provisions take effect at different times over a three-year period, and implementing regulations could take several months or even years to be fully drafted and implemented. In the meantime, pursuing currently available pathways for issuance, while relying on existing federal financial regulatory guidance, may be the most practical approach as we wait for the GENIUS Act to be fully implemented.
- The GENIUS Act specifically addresses non-US issuers and non-US issued stablecoins. As a result, non-US entities will need to strategize effectively about entering and servicing the US market. They may also seek to encourage their national regulators to pursue an equivalency determination from the Treasury Department, which is one of the potential pathways under the act.
- The GENIUS Act affirms that payment stablecoins are neither securities nor commodities. It also excludes



central bank digital currencies and tokenization deposits, or “deposit tokens,” from the definition of “payment stablecoins.” However, the act leaves open questions regarding stablecoins and decentralized finance; algorithmically-backed stablecoins and others that do not meet the definition of “payment stablecoin”; stablecoin-based remittances; and other issues.

- When evaluating the implications of the GENIUS Act, it is important to consider recently issued guidance from federal regulators stating that national banks, Federal Deposit Insurance Corporation (“FDIC”)-insured institutions, and federal savings associations may engage in certain crypto-asset activities, including those involving payment stablecoins, without first obtaining a supervisory non-objection from their prudential supervisory agency. These activities include providing custodial services for stablecoins and other digital assets, facilitating payment settlement using independent node verification networks, and holding reserve assets associated with dollar-backed stablecoins. Most recently, the Office of the Comptroller of the Currency (“OCC”), the FDIC, and the Board of Governors of the Federal Reserve System (“Federal Reserve”) affirmed that banks may continue offering crypto-asset safekeeping services, including stablecoin custody and related activities, as long as they adhere to sound risk management principles.

The following provides an overview of the key provisions and anticipated impact of the GENIUS Act, along with considerations for companies evaluating which pathway to pursue under the act.


What Is a Stablecoin, and Why Do Stablecoins Matter?

A stablecoin is a cryptographic token that facilitates peer-to-peer exchange via a blockchain protocol. It functions similarly to cryptocurrencies like Bitcoin; however, its value is typically pegged to a fiat currency and backed by asset reserves. As a result, stablecoin transactions can often be faster and cheaper than traditional payment methods, without the value fluctuation risk typically associated with cryptocurrency. According to the World Economic Forum, the total value of stablecoins issued in 2025 exceeded \$208 billion, while total transfer volume reached \$27.6 trillion in 2024.¹

Stablecoins are generally centrally issued and -administered, with rules for redemption and regulatory controls, such as the ability to freeze specific transactions. As a result, stablecoins can function as both a medium of exchange and as a store of value.

The GENIUS Act establishes a legal framework for issuing and administering the most common type of stablecoin: a US dollar-denominated, centrally administered, reserve-backed token. The act refers to this type of stablecoin as a “payment stablecoin,” and defines it as “a digital asset...that is, or is designed to be, used as a means of payment or settlement, and...the issuer of which...is obligated to convert, redeem, or

¹ Spencer Feingold, “Stablecoin Surge: Here’s why reserve-backed cryptocurrencies are on the rise,” World Economic Forum (Mar. 26, 2025, updated Jun. 3, 2025), <https://www.weforum.org/stories/2025/03/stablecoins-cryptocurrency-on-rise-financial-systems/#:~:text=Stablecoins%20are%20pegged%20to%20reserve%20assets%20like%20fiat,and%20transparency%20issues%2C%20stablecoins%20are%20not%20without%20risk.>



repurchase for a fixed amount of monetary value, not including a digital asset denominated in a fixed amount of monetary value, and...[which] 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..."

Stablecoins can also be pegged to a fiat currency through algorithmic stabilization or backed by commodities such as gold or silver. However, these types of stablecoins are not included in the definition of "payment stablecoin" and are therefore not governed by the GENIUS Act. Also excluded from this definition are "a digital asset that...is a national currency" (known as a central bank digital currency or "CBDC") and a digital asset representing a deposit (known as a "deposit token" or a "tokenized deposit"). The act also prohibits a PPSI from paying interest, yield, or any other form of compensation to a holder of a payment stablecoin.

Paths Currently Available for Stablecoin Issuance

Because the relevant regulatory agencies must undergo a rulemaking process before entities to apply for and obtain the licenses outlined in the GENIUS Act, the options for issuing a payment stablecoin under current law are listed below. (Entities may not be able to obtain a GENIUS Act-specific license for a year or longer after the act's enactment.)

A. Money Services Business and State Money Transmitter Licenses


To date, in order to issue a stablecoin in the US, issuers have been able to register with the US Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") as a money services business ("MSB"), and obtain state money transmitter licenses ("MTLs") in each state in which they service customers, without further chartering or licensure. FinCEN registration requires submission of a relatively brief registration form. Registrants must adhere to various anti-money laundering ("AML") regulations promulgated by FinCEN. In contrast, state MTL applications involve a detailed and lengthy application process that can take several months or longer to complete. MTL holders must meet a variety of obligations beyond AML requirements, including minimum net worth standards, obtaining a surety bond, providing specific disclosures and receipts to customers, and submitting regular reports to each state regulatory agency. MSBs that hold MTLs under this model cannot hold fiat deposits and must partner with a bank or other financial institution to custody the fiat backing the stablecoin.

B. State Trust Company and MTLs

Some stablecoin issuers have opted to obtain a state limited-purpose trust company charter and operate as a state trust company. State trust companies allow the issuer to engage in a wider range of activities, including custody of client funds, as opposed to entities solely regulated as an MSB and MTL holder. A holder of a state trust charter does not need an MTL in the state in which it holds the charter and can qualify for an exemption from MTL requirements in some states. However, many states do not provide a MTL exemption for state trust companies, meaning holders of state trust charters typically must obtain MTLs in a number of other states. Additional details on the state trust charter are included in the discussion below regarding the GENIUS Act.

C. National Bank or National Trust Bank

Currently, no US stablecoin issuer operates as a national bank or national trust bank. This is primarily because prior administrations made it difficult for such institutions to gain approval to operate in the digital asset



space. However, under the Trump administration, which has taken a more crypto-friendly posture, it may be possible to receive a national bank or national trust charter for the purposes of issuing a stablecoin. National banks are not required to hold MTLs in any state. A national trust bank is exempt from MTL requirements in some states, but in other states the relevant exemption would not apply as it is limited to federally insured depository institutions.

The GENIUS Act

I. Permitted Payment Stablecoin Issuers

A. Permitted Payment Stablecoin Issuers


Under the act, there would be four types of PPSIs each regulated by different agencies: (1) subsidiaries of insured depository institutions approved to issue payment stablecoins, subject to the jurisdiction of the relevant federal banking agency or, if an insured credit union, the National Credit Union Administration ("NCUA"); (2) federal, non-bank qualified issuers, subject to OCC jurisdiction; (3) a branch of a foreign bank; and (4) for issuers with total market capitalization below \$10 billion, those that are state qualified and regulated. However, for the fourth category of issuers, state regulators are required to certify annually to the Treasury Secretary that the applicable state regulatory regime is substantially similar to the federal regulatory regime for stablecoins, subject to the secretary's discretion to reject the certification. Entities regulated under the GENIUS Act will not need state money transmitter licenses in any state.

Only PPSIs are allowed to issue payment stablecoins in the US.² Similarly, digital asset service providers may not offer or sell a payment stablecoin to anyone in the US unless it is issued by a PPSI, though the Treasury secretary may establish safe harbors. Violations of this requirement may result in fines of up to \$1 million per violation and up to five years of imprisonment. Furthermore, non-financial services public companies may not issue stablecoins unless the Stablecoin Certification Review Committee, which shall be chaired by the Secretary of the Treasury, approves them, which includes a finding that the company will not pose a material risk to the safety and soundness of the US banking system and financial stability.

PPSIs are permitted to engage in an enumerated list of activities, namely:

- issuing payment stablecoins;
- redeeming payment stablecoins;
- managing related reserves, including buying, selling, or holding reserve assets or providing custodial services for reserve assets;
- providing custodial or safekeeping services for payment stablecoins, required reserves, or payment stablecoin private keys; and
- other activities directly supporting any of the above activities, or any activities specified by the act authorized by the relevant regulator.

² GENIUS Act § 3(a)–(b). These provisions have a phased rollout over the periods of one to three years from enactment.



PPSIs are explicitly prohibited from paying any payment stablecoin holder any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of payment stablecoins. The scope and precise meaning of this provision will likely be the subject of scrutiny and debate by both regulators and market participants.

B. Reserve Requirements

PPSIs are required to maintain reserves backing their outstanding payment stablecoins on at least a one-to-one basis. These reserves must consist of US fiat currency, demand deposits or insured shares, Treasuries, securities issued by an investment company or money market fund, other federally issued liquid assets, or any of these assets in tokenized form. Reserves can also consist of repurchase and reverse repurchase agreements. The short-term financing and redemption flexibility afforded by repo and reverse repo transactions have been a preferred reserve or cash equivalent of large stablecoin issuers to date.³ Rehypotheication of such reserves is explicitly prohibited.

The composition of such reserves must be published on the issuer's website monthly. Such reports must be examined by a registered public accounting firm, and the CEO and CFO of the issuer must make a certification as to their accuracy to its regulator. Separately, issuers with over \$50 billion in total market capitalization must also provide annual audited financial statements and publicly disclose related party transactions.

C. Capital, Liquidity, and Risk Management

While the act does not establish any capital, liquidity, and risk management requirements, it mandates that both federal and state payment stablecoin regulators issue regulations that implement rules on the following subjects. The corresponding requirements must be tailored to the issuer's business model and risk profile and may not exceed what is necessary to ensure the permitted PPSI's ongoing operations:

- capital requirements;
- liquidity standards;
- reserve asset diversification, including deposit concentration and interest rate risk management standards; and
- appropriate operational, compliance, and information technology risk management principles-based requirements and standards, including Bank Secrecy Act ("BSA") and sanctions compliance standards.

D. The BSA, Anti-Money Laundering, and Economic Sanctions Compliance

PPSIs are financial institutions under the BSA, and must comply with obligations requiring, among other things:

- maintenance of an effective AML program;
- retention of relevant records;
- suspicious transaction monitoring and reporting;

³ See, e.g., Circle Reserve Fund, <https://www.blackrock.com/cash/en-us/products/329365/circle-reserve-fund>.

- technical capabilities, policies, and procedures to block, freeze, and reject specific or impermissible transactions;
- maintenance of an effective customer identification program, including account holder and high-value transaction identification and verification, and appropriate enhanced due diligence; and
- maintenance of an effective economic sanctions compliance program, including verification of sanctions lists.

Likewise, the Secretary of the Treasury is directed to adopt rules to implement the above requirements.

E. Custodial Services

Persons providing custodial services must be supervised or regulated by a federal payment stablecoin regulator, a primary financial regulatory agency as defined by the Dodd-Frank Act, such as federal banking regulator, the SEC, CFTC, FHFA, or state insurance agency, a state bank supervisor, or a state credit union supervisor. These persons must also comply with segregation requirements preventing the commingling of funds, except for a number of narrow and limited exceptions, and must treat payment stablecoins, private keys, cash, and other customer property as belonging to the customer and take steps to protect these assets from creditor claims.

II. Implementation Timeline and Effective Dates

The GENIUS Act adopts a phased implementation structure that staggers regulatory development, issuer authorization, and compliance deadlines over several years. This approach provides potential issuers, including non-US firms, time to plan and prepare for participation in the US payment stablecoin market while regulators establish a supervisory framework.

A. General Effective Date

The GENIUS Act becomes effective on the earlier of: (i) 18 months after the date of enactment, or (ii) 120 days after the date on which a primary federal payment stablecoin regulator issues final implementing regulations under the act.⁴


B. Rulemaking and Regulatory Implementation

Many core components of the GENIUS Act—including standards for capital, liquidity, risk management, and procedures for state equivalency certifications—require implementing regulations from the federal banking regulators, such as the OCC, Federal Reserve, FDIC, and Treasury.

To support implementation, the act requires each federal banking agency and state payment stablecoin regulators to promulgate final rules no later than 12 months after the date of enactment.⁵ These regulations are expected to outline standards for reserve asset requirements, asset segregation, custodial safekeeping,

⁴ GENIUS Act § 20(a)(1)-(2). Each primary federal payment stablecoin regulator, the Secretary of the Treasury, and each state payment stablecoin regulator are required to promulgate rulemaking to implement the provisions of the GENIUS Act through a notice-and-comment rulemaking no later than one year after the date of enactment of the GENIUS Act.

⁵ See *id.* § 13(a)



disclosure obligations, and the application and registration process for becoming a PPSI. Additionally, each federal banking agency must submit a written report to Congress on the status of its rulemaking within 180 days of the act's enactment.⁶

C. Prohibition on Unlicensed Stablecoin Issuance

Critically, the prohibition on issuing payment stablecoins in the US by entities other than licensed PPSIs takes effect three years after enactment. This transition period is intended to allow existing issuers and new applicants sufficient time to come into compliance or pursue licensure under one of the permitted pathways (addressed in Section III below). During this time, non-licensed issuers may continue operating but must comply with applicable state and federal laws and take steps to wind down or transition to a compliant structure.

D. Foreign Issuer Access and Equivalency Timeline

Non-US entities seeking to offer stablecoins in the US market must either obtain PPSI status, operate through a licensed US branch of a foreign bank, or rely on an equivalency determination issued by the US Department of the Treasury. The act directs the Treasury Department to issue implementing regulations for equivalency determinations within one year of enactment.⁷ Once the regulations are issued, the Treasury must evaluate formal requests for equivalency determinations within 210 days of receipt.⁸

The requirement that foreign issuers obtain PPSI status, an equivalency determination, or operate through a licensed US branch of a foreign bank, becomes binding three years from the date of enactment.⁹ This provision ensures a grace period for non-US entities to evaluate their strategic options, engage with national regulators, and, if needed, apply for recognition or pursue a PPSI pathway.

III. Licensure/Registration Pathways Under the GENIUS Act

As noted above, under the GENIUS Act, four types of entities may qualify as a PPSI and lawfully issue payment stablecoins to persons in the United States. The pathways are based on the United States' distinctive dual banking system, which allows financial institutions to operate under either a federal or state charter, subject to differing prudential regulators and varying levels of regulatory preemption. Setting aside the foreign bank branch option (addressed in Section IV, below), this section discusses the benefits and drawbacks of a National Trust Bank, the OCC Federal Qualified Payment Stablecoin Issuer, and the State Trust Company.

A. The Dual Banking System and Federal Preemption


The US financial regulatory framework has historically allowed financial institutions to choose between state or federal supervision, a structure known as the dual banking system. A financial institution with a federal charter, such as a national bank or national trust bank, is primarily regulated by federal agencies, such as

⁶ See *id.* § 13(c).

⁷ See *id.* § 3((d)(2)

⁸ *Id.*

⁹ See *id.* § 14(b)(2).



the OCC, and federal law largely preempts conflicting state banking laws.¹⁰ This federal preemption means that a federal license can simplify compliance by giving the licensee a single set of governing rules across all 50 states, minimizing the need to separately comply with duplicative or conflicting state requirements. In contrast, an institution with a state charter is primarily regulated by the state banking authority that issued the charter, although certain federal laws, such as the BSA, apply nationwide. State-chartered institutions must comply with local requirements and oversight but may benefit from more flexible or innovative regimes in states with tailored frameworks for digital assets or trust companies. The GENIUS Act forecloses the opportunity to issue and administer a payment stablecoin solely as an MSB with MTLs,¹¹ although the provisions prohibiting this will not take effect until likely sometime in 2026.¹²

B. State Trust Company (State Qualified Payment Stablecoin Issuer)

A company seeking to issue stablecoins may establish or acquire a state-chartered trust company in a state with a regulatory framework robust enough to meet the GENIUS Act's requirements for State Qualified Payment Stablecoin Issuers. Common jurisdictions for this strategy include New York, Delaware, South Dakota, and Wyoming, each of which has a well-developed statutory framework for chartering trust companies that serve as custodians for digital assets. To qualify as a PPSI under the GENIUS Act, the state trust company must limit its activities to the lawful scope specified in the act, which includes issuing and redeeming payment stablecoins, managing fully reserved backing assets, providing safekeeping for the stablecoins and their private keys, and other directly supporting functions.¹³ The GENIUS Act also mandates that the state's regulator annually certify to the Treasury Department that the local regime is "substantially similar" to the federal baseline — including capital, liquidity, and risk management rules — and the Secretary may disallow the certification if the state fails to maintain parity.¹⁴

Applicants must prepare and submit a detailed application to the relevant state banking department, which generally includes proof of capital adequacy, a robust compliance and anti-money laundering program consistent with the BSA, proposed governance structures, internal controls, and policies for safeguarding customer assets. Most states require background checks and financial disclosures for directors, executive officers, and significant shareholders, as well as minimum capital and bonding requirements that vary by state.

1. Advantages

A key advantage of a state trust company pathway is its relative speed and flexibility compared to a federal chartering process. States like Wyoming and South Dakota have positioned themselves as innovation-friendly jurisdictions for digital asset custody, often approving applications in 6 to 12 months. Additionally, state trust companies often have lower minimum capital requirements than national trust banks, reducing up-front funding costs for new market entrants.

¹⁰ See 12 U.S.C. § 25b.

¹¹ GENIUS Act § 3(a).

¹² *Id.* at § 20.

¹³ GENIUS Act § 4(a)(7).

¹⁴ *Id.* at § 5(a).



2. Disadvantages

However, operating under a state trust charter introduces certain practical limitations. Unlike a federal charter, a state trust company generally does not benefit from nationwide federal preemption. As a result, a state-chartered PPSI may still be subject to other states' licensing requirements, consumer protection statutes, or enforcement jurisdiction when offering services across state lines, a factor that can create costly compliance obligations. Additionally, most states impose local presence rules on trust companies. For example, New York law requires in-state offices, director citizenship, and other physical ties, which can create operational hurdles. Additionally, federal approval of the state regime is a new concept under the GENIUS Act, and the extent to which such approval will be granted remains uncertain. There is no certainty at the moment in determining which state regime will comply with federal standards. If the state's regime falls out of alignment with federal standards, the Treasury may withdraw recognition of equivalency, potentially forcing the issuer to reorganize or transition to a federal charter midstream.¹⁵

C. National Trust Bank (Federal Qualified Payment Stablecoin Issuer)

A second pathway is to organize as a national trust bank, approved by the OCC, and designated a Federal Qualified Payment Stablecoin Issuer under the GENIUS Act.¹⁶ A national trust bank is a federally chartered financial institution that operates under federal law, with powers limited to fiduciary activities and specific related services such as safekeeping, custodial services, and investment management under OCC rules and authority.¹⁷

To qualify as a PPSI, a national trust bank's business plan must comply with the GENIUS Act's core requirements: maintain fully reserved stablecoin backing assets on a 1:1 basis, ensure that reserves are safe and segregated, and limit activities to stablecoin issuance and directly supporting functions.¹⁸ The OCC also requires applicants to demonstrate a robust governance structure with qualified management, internal controls, risk management programs, BSA/AML compliance systems, and independent auditing capacity.

In practice, the OCC's chartering process requires submission of an extensive application package, including a three-year business plan, evidence of minimum capitalization (often USD 20–50 million for digital asset trust banks), internal policies, IT security measures, and financial projections. A non-US parent company must structure the chartered entity as a US corporation with resident directors and officers acceptable to the OCC.

1. Advantages


A national trust bank enjoys significant advantages for stablecoin issuers. Most notably, it operates under broad federal preemption, meaning its activities are regulated primarily by the OCC and are generally insulated from duplicative or conflicting state laws. This streamlines compliance and gives the issuer uniform access to US markets nationwide. The OCC's direct supervision can also enhance the credibility of the

¹⁵ *Id.*

¹⁶ GENIUS Act § 2(23)(B).

¹⁷ See 12 U.S.C. § 92a, and 12 C.F.R. Part 9.

¹⁸ GENIUS Act § 4(a)(1)– (7).



stablecoin with institutional investors, counterparties, and potential financial institution partners. Unlike a full-service national bank, a national trust bank does not accept deposits and is therefore not required to obtain FDIC deposit insurance or submit to parallel FDIC oversight, simplifying the regulatory stack.

2. Disadvantages

At the same time, this federal path carries meaningful costs and burdens. The OCC's review process is extensive, typically taking 12 to 18 months from pre-filing to final approval. Minimum capital requirements, as noted above, are often significantly higher than for state trust charters. Additionally, federal supervision comes with substantial ongoing obligations, including regular examinations, annual independent audits, and detailed recordkeeping under OCC standards. For a non-US sponsor, structuring compliant US governance can require local hiring, robust legal oversight, and the ability to respond to OCC directives and examination findings. Furthermore, a recent letter from several national bank trade associations raised concerns that the OCC's review of national trust charter applications. Among the issues cited were limited transparency of public filings and the broader policy implications for digital asset activities, which would warrant heightened regulatory and public scrutiny. This, in turn, may lead to slower or less predictable approval timelines for stablecoin-focused applicants.¹⁹

D. Subsidiary of an Insured Depository Institution

The GENIUS Act permits insured depository institutions and their subsidiaries to issue payment stablecoins after receiving the necessary regulatory approval from their primary federal banking regulator.²⁰ The subsidiary would fall under the supervision of the insured depository institution's primary federal prudential regulator, typically the OCC, the Federal Reserve, or the FDIC, depending on charter type and structure.

A subsidiary structure may be particularly relevant for foreign financial institutions or well-capitalized technology firms that are prepared to operate within a US banking framework and subject themselves to comprehensive prudential supervision.

1. Advantages

Structuring stablecoin issuance through a subsidiary of an insured depository institution may afford several benefits. First, such a subsidiary would likely benefit from the regulatory clarity and established supervisory regime governing insured depository institutions. These frameworks provide predictability with respect to capital, liquidity, risk management, and consumer protection obligations. Second, if the insured depository institution is federally chartered, its subsidiary may indirectly benefit from federal preemption of certain state licensing and compliance requirements, particularly those related to money transmission laws. However, this question requires a fact-specific analysis. Finally, because insured depository institutions are already subject to examination and oversight by federal banking agencies, the approval process for stablecoin issuance under the GENIUS Act may be more streamlined for a subsidiary operating under an existing supervisory

¹⁹ See Joint Letter from the American Bankers Association et al. to the OCC (July 17, 2025) (arguing that the applications "raise significant policy and process concerns" and that "[g]ranteeing these Applications could represent a fundamental departure from existing OCC precedent."), <https://www.aba.com/-/media/documents/letters-to-congress-and-regulators/jointltrtrustcharter20250717.pdf?rev=ce8489ef41574e91822393ad04c3cb62>.

²⁰ See *id.* § 3(b)(1)(A).



relationship.

2. Disadvantages

Operating as a subsidiary of an insured depository institution introduces a distinct set of considerations. Most notably, the parent entity—if foreign—may become subject to the Bank Holding Company Act, including activity limitations and consolidated supervision by the Federal Reserve.²¹ This would trigger comprehensive regulatory expectations not only for the insured depository institution and its subsidiary but also for the foreign parent's global operations, to the extent those operations are subject to US jurisdiction. Additionally, the subsidiary would be subject to a full suite of prudential requirements applicable to bank-affiliated entities, including those relating to capital, liquidity, internal controls, anti-money laundering, and consumer compliance. For some entities, these requirements may exceed the scope of obligations applicable to state trust companies or other PPSI pathways. Finally, certain operational constraints—including supervisory caution toward novel or complex financial products—may affect the pace at which such a subsidiary is able to innovate or scale its stablecoin offering.

This pathway may be most suitable for institutions with existing banking infrastructure or those with a strategic interest in aligning their stablecoin program within a traditional US banking model. Entities pursuing this structure should engage early with relevant regulators to assess whether their proposed activities are consistent with safety and soundness expectations and whether the federal banking agency is likely to approve stablecoin issuance under the GENIUS Act framework.

E. OCC Payment Stablecoin Issuer License (To Be Finalized)

The GENIUS Act directs the OCC to establish a new Federal Qualified Payment Stablecoin Issuer license, separate from existing OCC charter types, and specifically tailored for payment stablecoin issuance.²² While the final regulations are still forthcoming and will be issued by the OCC through formal rulemaking, this pathway is expected to formalize standards for stablecoin reserve composition, eligibility criteria, capital adequacy, liquidity buffers, segregation of assets, risk management and ongoing federal supervision.

A firm seeking to issue stablecoins in the US would generally need to establish a US-based company to hold the OCC license, maintain resident directors and qualified executive management, and demonstrate robust AML and sanctions compliance programs. Because this license is specifically designed for stablecoin issuance, it is expected to streamline regulatory oversight and clarify the permissible scope of related activities, which remain strictly limited under the act to issuance, redemption, reserve management, custodial services, and directly supporting functions.²³

1. Advantages

Once finalized, the new dedicated PPSI license is likely to become the primary pathway for entities whose core business is payment stablecoin issuance. Unlike the traditional national trust bank charter, the new PPSI license would be purpose-built to provide stablecoin-specific prudential standards, explicit authority, and

²¹ See 12 U.S.C. § 1841, et seq.

²² *Id.* at § (3)(a).

²³ *Id.* at § 4(a)(7).



clear federal oversight. This would help align US stablecoin oversight with Congressional policy goals and reduce regulatory ambiguity that has complicated digital asset trust bank charters to date. Like other OCC charters, the new license will benefit from federal preemption ensuring uniform nationwide treatment under a single regulator.

2. Disadvantages

At present, the final details of the OCC's PPSI license remain subject to rulemaking and potential revisions during the legislative reconciliation process. The uncertainty about final standards and the timeline for adoption may limit this option in the near term. For firms that wish to launch quickly, and who have business models that can leverage other powers afforded by alternate charter types, it may be appropriate to pursue other forms of organization discussed herein.

IV. Treatment of Non-US Issuers and Equivalency Determinations


As the GENIUS Act outlines a comprehensive federal framework for regulating payment stablecoins offered to US persons. It also directly addresses the treatment of non-US issuers and foreign-issued stablecoins, creating options and strategic opportunities for non-US issuers and entities seeking to become issuers. Recognizing that many stablecoins are issued by entities domiciled outside the United States, the statute adopts a dual approach: it imposes clear restrictions on such entities' access to the US market while establishing pathways to either set up a branch of a foreign bank in the US, seek a formal equivalency determination administered by the Treasury Department, or obtain permitted PPSI status. These requirements take effect three years after the effective date of the act; before that, various requirements are placed on foreign payment stablecoin issuers. In addition to the below, and although not framed as a standalone licensure pathway, the GENIUS Act provision permitting subsidiaries of insured depository institutions approved to issue payment stablecoins to be a PPSI also allows a non-US entity to access the US stablecoin market by forming or acquiring a US-chartered insured depository institutions and conducting stablecoin issuance activities through a wholly owned subsidiary, with the attendant benefits and drawbacks described above.

A. Branch of a Foreign Bank

The GENIUS Act contemplates that certain non-US entities may participate in the issuance of payment stablecoins through a US-licensed branch of a foreign bank, subject to regulatory approval. Specifically, the statute provides that a foreign banking organization operating through a branch in the United States may be approved as a "permitted payment stablecoin issuer" if the branch is "licensed by and subject to supervision and examination by a Federal or State qualified prudential regulator," and if the foreign entity is organized under the laws of a country whose primary prudential regulator has been determined by the Treasury Department to be "subject to supervision and regulation comparable to that applicable to a qualified prudential regulator" in the United States.²⁴

This provision effectively authorizes a foreign bank branch operating under a US license—such as one granted under the International Banking Act of 1978—to seek approval to issue payment stablecoins,

²⁴ *Id.* at § 2(a)(8)(C)(iii).



provided it satisfies the same core requirements applicable to other PPSIs. These include the act's limitations on asset holdings and affiliations, reserve composition requirements, restrictions on rehypothecation and segregation of assets, and compliance with all applicable risk management and consumer protection obligations.²⁵

To qualify, a foreign bank branch must secure approval from the relevant federal or state banking authority and demonstrate that its home country's prudential regulator is subject to a favorable equivalency determination from the Treasury Department.

1. Advantages

For foreign banking organizations with an existing US branch, this pathway may offer a comparatively efficient means of entering the stablecoin market. A foreign branch operating under OCC, Federal Reserve, or state authority may already possess the necessary infrastructure, supervisory relationships, and compliance frameworks to support expansion into stablecoin issuance. If the home country regulator has already received or is likely to receive a favorable equivalency determination, this structure may facilitate an expedient route to GENIUS Act approval.

2. Disadvantages

The permissibility of stablecoin issuance by a branch of a foreign bank is contingent on a Treasury Department-issued equivalency determination. This process may take time to develop and introduces an element of regulatory discretion. Additionally, foreign bank branches may not benefit from the same federal preemption protections available to national banks or federally licensed PPSIs, potentially exposing them to state-by-state oversight and compliance obligations. Finally, the GENIUS Act imposes restrictions on the types of business lines and affiliations a PPSI may maintain, which could complicate approval for foreign branches engaged in broader financial activities outside the narrow scope of permissible payment stablecoin operations.²⁶

B. Foreign Regulatory Equivalency Process

To mitigate the risk of regulatory fragmentation and recognize the legitimacy of well-regulated foreign regimes, Section 10 of the act empowers the Treasury Department to declare a foreign jurisdiction's stablecoin regulatory framework "substantially equivalent" to that imposed on US-licensed PPSIs. This determination is made in consultation with the OCC, Federal Reserve, FDIC, and other appropriate agencies.²⁷ The process is discretionary and is expected to be initiated by a formal request, either from a foreign government or through joint engagement by foreign issuers and their national regulators.


A finding of equivalency requires a showing that the foreign regime offers comparable protection in the areas, including:

- Reserve backing (e.g., 1:1 high-quality liquid assets),

²⁵ *Id.* at §§ 3(b)(2), 4(a)(2), 4(a)(5), 6, 8.

²⁶ *Id.* at §§ 4(a)(2), 4(a)(4).

²⁷ *Id.* at § 10(c).

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- Redemption rights and timeliness,
 - Consumer disclosures and safeguards,
 - Corporate governance and risk management,
 - Capital, liquidity, and operational resiliency,
 - Anti-money laundering, countering the financing of terrorism, and sanctions compliance,
 - Oversight, auditability, and supervisory enforcement mechanisms.

Where granted, an equivalency determination permits qualifying foreign issuers to offer stablecoins to US persons without obtaining separate licensure as a PPSI, subject to any conditions imposed by the Treasury Department. This pathway is particularly significant for foreign regulators seeking to preserve their jurisdictional authority while ensuring continued access for local stablecoin issuers to US markets.

C. Strategic Considerations for Non-US Issuers

Non-US stablecoin issuers should evaluate whether their home country's legal and supervisory framework meets the "substantial equivalency" standard—and if not, whether their government is likely to engage the Treasury Department to seek such a determination. This evaluation will depend not only on the text of the foreign laws but also on the practical effectiveness of enforcement and supervision by US authorities.

In jurisdictions with strong digital asset oversight regimes, issuers may have a credible basis for achieving equivalency. However, even in such cases, Treasury action is not automatic, and the timing and outcome of any determination remain uncertain.


As a result, non-US issuers may wish to consider dual-track strategies, including:

- Establishing a US PPSI-eligible subsidiary (e.g., through an OCC or state trust charter) while awaiting an equivalency determination;
- Implementing geofencing or other exclusion measures to avoid marketing or sales to US persons until compliance is assured;
- Coordinating with industry associations and national regulators to support the preparation and submission of equivalency requests; and
- Preparing documentary support (e.g., reserve attestations, risk policies, audit records) in anticipation of a potential US regulatory inquiry.

Issuers and home regulators share an interest in seeking clarity and recognition under the GENIUS Act. For foreign governments looking to retain supervisory control over their domestic stablecoin markets, pursuing an equivalency determination from the Treasury Department will likely be essential to maintaining lawful access to the US market for issuers.

V. Interim Regulatory Guidance and Near-Term Issuance Strategies

Although the GENIUS Act has been enacted into law, its full implementation will require additional agency



rulemaking, including the development of chartering and registration procedures by the OCC, the US Department of the Treasury, and other federal regulators. As a result, it may take months or even years before all aspects of the act become operational. In the interim, prospective stablecoin issuers—including banking organizations and nonbank entities operating in partnership with insured depository institutions should consider aligning their activities with the federal guidance currently in effect.

In recent months, US prudential regulators have clarified the extent to which federally supervised banks may engage in stablecoin-related and other digital asset activities, both through affirmative guidance and the withdrawal of previous guidance.²⁸ Taken together, the recent statements from the OCC, FDIC, and Federal Reserve reflect a broadly aligned regulatory posture: federally supervised banking institutions may engage in foundational stablecoin-related activities without prior supervisory non-objection provided those activities are conducted in a manner consistent with safety and soundness principles. This includes:

- Stablecoin custody
- Holding reserves for stablecoin issuers
- Enabling customers (business and retail) to use stablecoins for payment
- Engaging in payment settlement using independent node verification networks
- Otherwise participate in stablecoin-based payments systems
- Blockchain-based settlement using stablecoins
- Issuance of dollar tokens, including payment stablecoins (until the relevant provisions of the GENUIS Act come into force, unless the institution is a PPSI)
- Participation in tokenized settlement arrangements
- Use of distributed ledger technology for payments

Although each agency maintains its own supervisory framework, the guidance issued in 2025 reflects a shift toward treating stablecoin services as potentially permissible banking functions, subject to baseline risk management and legal compliance obligations. Notably, all three agencies have either withdrawn or significantly relaxed their prior requirements for pre-approval or supervisory non-objection. In doing so, they have clarified that banking organizations do not need new or separate charters to provide custodial or payment infrastructure services related to payment stablecoins.

Stablecoin issuers, particularly those considering partnerships with existing US depository institutions, can benefit from the convergence of regulatory views, which offers a measure of clarity and predictability. Banks may now participate in certain aspects of the stablecoin ecosystem without delay, while still preserving supervisory flexibility for higher-risk or novel use cases.

²⁸ See Office of the Comptroller of the Currency, Interpretive Letter No. 1183 (Mar. 7, 2025), <https://www.occ.treas.gov/news-issuances/bulletins/2025/bulletin-2025-2.html>; FDIC, FIL-07-2025, “FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities” (Mar. 28, 2025), <https://www.fdic.gov/news/press-releases/2025/fdic-clarifies-process-banks-engage-crypto-related-activities>; Fed. Rsv. Bd., *Federal Reserve Board Announces the Withdrawal of Guidance for Banks Related to Their Crypto-Asset and Dollar Token Activities and Related Changes to Its Expectations for These Activities* (Apr. 24, 2025), <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20250424a.htm>; Joint Statement on Risk Management Considerations for Crypto-Asset Safekeeping (July 14, 2025), <https://www.occ.gov/news-issuances/news-releases/2025/nr-ia-2025-68.html>.



VI. Conclusion

The GENIUS Act has opened the door to a wide range of activities involving stablecoins, including custody, payments, and new transaction infrastructure. Traditional financial institutions, fintechs, and startups both within and outside the US may benefit from the GENIUS Act and stablecoins in general. However, the law brings new requirements, and the staggered implementation timeline, coupled with evolving regulatory guidance from federal financial institutions, makes navigating the legal landscape for stablecoins a challenge.

For additional information on the GENIUS Act or assistance with any matters relating to the Act please contact a member of Steptoe's [Financial Innovation and Regulation Practice](#).