**Client Memorandum** 



## July 28, 2025

# GENIUS Act Ushers in Comprehensive Federal Regulation of Payment Stablecoins

On July 18, 2025, President Trump signed the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the "GENIUS Act" or the "Act") into law, marking a significant shift from the prior patchwork of state money transmitter laws. The Act establishes a federal regulatory framework for payment stablecoins in the United States, introducing licensing requirements for issuers, imposing reserve standards, and mandating compliance with Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") and sanctions obligations. It also incorporates consumer protection measures, including disclosure requirements and redemption rights, sets detailed governance and reporting requirements for issuers, and regulates when a foreign issuer may offer or sell payment stablecoins in the United States using a digital asset service provider.

The GENIUS Act will go into effect on the earlier of (i) the date that is 18 months after the date of enactment (January 18, 2027) or (ii) the date that is 120 days after the "primary Federal payment stablecoin regulators" (defined below) issue final regulations.<sup>1</sup> The primary Federal payment stablecoin regulators are required to undertake notice-and-comment rulemaking and issue final rules within one year of enactment. Further, absent a safe harbor, three years after enactment (July 18, 2028), digital asset service providers will be prohibited from offering or selling payment stablecoins to a person in the United States unless they are issued by a "permitted payment stablecoin issuer" (defined below) or by a "foreign payment stablecoin issuer" (defined below) that meets certain requirements.

Payment stablecoins are digital assets designed to maintain a stable value relative to a reference asset, such as the U.S. dollar, and are typically used as a means of payment rather than an investment or speculative instrument. Stablecoins circulate on blockchain networks that allow for near-instant transfers outside of conventional payment systems. The market for stablecoins has grown rapidly in recent years—as of June 2025, stablecoins in circulation have a market capitalization of over \$250 billion, approximately 99% of which are pegged to the U.S. dollar.<sup>2</sup>

Until now, stablecoin oversight in the United States has been fragmented and largely state-driven. Most payment stablecoin issuers have operated under state money transmitter laws. Under the GENIUS Act, a new federal licensing regime will apply to payment stablecoin issuers, and federal law will generally preempt conflicting state requirements. As explained in more detail below, however, the Act preserves a role for states that adopt frameworks "substantially similar" to the federal standards, allowing for continued state oversight.

This memorandum outlines the GENIUS Act's core provisions and their implications for market participants. Topics include:

• Who may issue payment stablecoins and the licensing framework for federal and state issuers;

<sup>&</sup>lt;sup>1</sup> § 20.

<sup>&</sup>lt;sup>2</sup> Jack Spira & David Wessel, What are stablecoins, and how are they regulated?, Brookings (June 18, 2025), available here.

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- Key prudential standards, including reserve requirements and operational controls;
- Consumer protection rules, including redemption and disclosure obligations;
- BSA/AML and sanctions compliance obligations;
- Custodial and safekeeping requirements;
- Supervisory, reporting, and enforcement mechanisms; and
- Foreign payment stablecoin issuer obligations, including registration requirements and comparable foreign regime recognition.

The memorandum concludes with practical compliance considerations for issuers.

# Key Provisions of the GENIUS Act

#### Limitation on Issuers: Who May Issue Payment Stablecoins?

The GENIUS Act begins with a sweeping prohibition: "It shall be unlawful for any person to issue a payment stablecoin in the United States unless such person is a permitted payment stablecoin issuer."<sup>3</sup> The Act defines a "permitted payment stablecoin issuer" as a U.S. entity that is one of the following: (i) an approved subsidiary of an insured depository institution; (ii) a Federal qualified payment stablecoin issuer; or (iii) a "State qualified payment stablecoin issuer."<sup>4</sup>

◆ *Subsidiaries of insured depository institutions*. An insured depository institution<sup>5</sup> may issue payment stablecoins through a subsidiary, provided the subsidiary is found to meet the requirements in Section 5 of the Act, which are described below.<sup>6</sup> A subsidiary's application will be considered by the parent insured depository institution's primary Federal stablecoin regulator—the Board of Governors of the Federal Reserve System ("Board"), the Office of the Comptroller of the Currency (OCC), the National Credit Union Administration (NCUA), or the Federal Deposit Insurance Corporation (FDIC).

Once an entity's application becomes "substantially complete,"<sup>7</sup> a regulator has 120 days to decide whether to approve or deny the application.<sup>8</sup> In line with the Act's "safety and soundness" touchstone, regulators may only deny an application if the regulator determines the applicant's activities would be "unsafe or unsound."<sup>9</sup> This determination must be informed by certain enumerated factors: (i) an applicant's ability to meet the requirements of the Act "based on financial condition and resources;" (ii) whether an applicant's officers or directors include individuals convicted of certain financial felonies; (iii) the competence, experience, and integrity of the officers, directors, and principal shareholders of the applicant; (iv) whether the applicant's redemption policy meets the Act's requirements; and (v) any other factors necessary to ensure "safety and soundness."<sup>10</sup>

If the regulator denies the application, it must provide a "written notice explaining the denial with specificity."<sup>11</sup> This notice must include "identified material shortcomings" and "actionable recommendations on how the applicant could

<sup>9</sup> § 5(d)(2)(A)(i).

<sup>10</sup> §5(c).

<sup>11</sup> § 5(d)(2)(B).

<sup>&</sup>lt;sup>3</sup> § 3(A). The term "person" means an individual, partnership, company, corporation, association, trust, estate, cooperative organization, or other business entity, incorporated or unincorporated. *See* § 2(24).

<sup>&</sup>lt;sup>4</sup> § 2(23).

<sup>&</sup>lt;sup>5</sup> The Act defines "insured depository institution" as (a) an insured depository institution, as defined in section 3 of the Federal Deposit Insurance Act, and (b) an insured credit union. Under the Federal Deposit Insurance Act, the term "insured depository institution" includes both national banks and state-chartered banks that are FDIC-insured.

<sup>&</sup>lt;sup>6</sup> § 2(23)(A).

 $<sup>^{7}</sup>$  An application becomes "substantially complete" when the application contains "sufficient information for the primary Federal payment stablecoin regulator to render a decision on whether the applicant satisfies" certain required evaluative factors. § 5(d)(1)(B)(i).

<sup>&</sup>lt;sup>8</sup> § 5(d)(1). This reflects an expedited process similar to bank charter decisions under OCC authority. *See* Comptroller's Licensing Manual: Charters 36 (Dec. 2021).

address the identified material shortcomings."<sup>12</sup> As recourse following a denial, the applicant has a right to a written or oral hearing and a right to reapply.<sup>13</sup>

- Federal qualified payment stablecoin issuers. Federal qualified payment stablecoin issuers include (i) nonbanks (other than State-qualified payment stablecoin issuers), (ii) uninsured national banks, and (iii) Federal branches (i.e., OCC-licensed branches of foreign banks). These entities must be approved by the OCC according to the criteria and procedures described above.<sup>14</sup> Notwithstanding any state law relating to licensing and supervision, Federal qualified issuers are "licensed, regulated, examined, and supervised" exclusively by the OCC.<sup>15</sup>
- State qualified payment stablecoin issuers. The Act provides an opportunity for states to regulate certain permitted issuers—those with less than \$10 billion of outstanding issuance who are approved by a state regulator operating under a regime "substantially similar" to the federal regulatory framework.<sup>16</sup>

The Act does not set out what constitutes a "substantially similar" regulatory framework; instead, it calls on the Secretary of the Treasury, "through notice and comment rulemaking," to "establish broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework under this Act."<sup>17</sup> Once those principles are established, "State payment stablecoin regulators shall review State-level regulatory regimes" alongside those principles<sup>18</sup> and, within one year after the effective date of the Act,<sup>19</sup> submit to the Stablecoin Certification Review Committee (SCRC)—a new three-person committee comprised of the Treasury Secretary (who serves as chair), the Federal Reserve Board Chair, and the FDIC Chair—a certification "that the State-level regulatory regime meets the criteria for substantial similarity," as established by the Secretary of the Treasury through notice-and-comment rulemaking.<sup>20</sup> The SCRC must unanimously approve or deny such certifications within 30 days.<sup>21</sup> The Act requires annual recertification to the SCRC.<sup>22</sup>

The Act also establishes rules for transitioning a State qualified payment stablecoin issuer to federal oversight. If a State qualified payment stablecoin issuer exceeds the \$10 billion outstanding issuance threshold, it must transition to federal oversight within 360 days after reaching the \$10 billion threshold or "cease issuing new payment stablecoins."<sup>23</sup> This requirement can be waived by the applicable primary Federal payment stablecoin regulator after consideration of the following "exclusive" criteria: (i) the capital maintained by the State qualified payment stablecoin issuer; (ii) the past operations and examination history of the State qualified payment stablecoin issuer; (iii) the experience of the "State payment stablecoin regulator" in supervising payment stablecoin and digital asset activities; and (iv) the supervisory framework, including regulations and guidance, of the State qualified payment stablecoin regulator grants a waiver, the stablecoin issuer will remain "solely supervised by a State payment stablecoin regulator."<sup>25</sup>

The Act includes provisions prohibiting a public company that is not predominantly engaged in financial activities (and its wholly or majority-owned subsidiaries) from issuing payment stablecoins, unless the company receives a unanimous vote by the SCRC.<sup>26</sup> The SCRC is required to make certain findings, including that the issuer will not pose a material risk to the

 ${}^{12} \$ 5(d)(2)(B).$   ${}^{13} \$ 5(d)(2)(C).$   ${}^{14} \$ 2(11).$   ${}^{15} \$ 4(b)(1).$   ${}^{16} \$ 4(c)(1).$   ${}^{17} \$ 4(c)(2).$   ${}^{18} \$ 4(c)(3).$   ${}^{19} \$ 4(c)(4)(A).$   ${}^{20} \$ 4(c)(4)(B).$   ${}^{21} \$ 4(c)(5)(A).$   ${}^{22} \$ 4(c)(4)(C).$   ${}^{23} \$ 4(d).$   ${}^{24} \$ 4(d)(3).$   ${}^{25} Id.$   ${}^{26} \$ 4(a)(12)(B).$ 

safety and soundness of the U.S. banking system or the financial stability of the United States, and that the company will comply with data use limitations (including on advertising) regarding data received from stablecoin transactions.<sup>27</sup>

The Act also provides that the Treasury Secretary may issue regulations providing safe harbors to the prohibition on issuance of payment stablecoins that are consistent with the purposes of the Act, limited in scope, and apply to a de minimis volume of transactions.<sup>28</sup> The Secretary may also provide limited safe harbors based on a finding of "unusual and exigent circumstances."<sup>29</sup>

All other issuers of payment stablecoins are prohibited unless specifically exempted (and foreign issuers are addressed in other provisions, described below).<sup>30</sup> The Act imposes penalties for unauthorized issuance, including civil fines of up to \$1,000,000 for each violation and criminal liability of up to five years' imprisonment.<sup>31</sup> These penalties mirror those applied to unlicensed banking activities.<sup>32</sup>

This framework represents a fundamental shift from the pre-Act environment, where nonbank issuers could operate under state money transmitter licenses. Now, all issuers must secure federal approval or state approval under a federally validated regulatory framework. This model is designed to preserve flexibility for smaller issuers while forcing larger issuers into a unified federal framework.

### Reserve Requirements: Standards for Asset Backing and Transparency

Central to the GENIUS Act's risk-mitigation strategy is its full-reserve mandate. The Act imposes mandatory 1:1 reserve backing for all outstanding stablecoins issued by payment stablecoin issuers.<sup>33</sup> Permitted reserves are limited to the most liquid, low-risk financial instruments, including U.S. coins and currency, balances at Federal Reserve Banks, insured demand deposits, and short-term U.S. Treasury bills with a remaining maturity of 93 days or less.<sup>34</sup> Limited use of repurchase agreements and securities issued by an investment company or other registered government money market fund is also allowed, provided they meet stringent criteria for over-collateralization and clearing.<sup>35</sup>

Section 4(a)(2) prohibits rehypothecation of reserve assets for most purposes. This prohibition seeks to reduce or eliminate certain leveraged practices within cryptocurrency markets.

In addition, issuers must provide monthly reserve disclosures,<sup>36</sup> subject to review by a registered public accounting firm and accompanied by CEO and CFO certifications under risk of criminal penalty.<sup>37</sup>

## Redemption Policies and Consumer Protection

The GENIUS Act requires payment stablecoin issuers to honor redemption requests in a "timely" manner.<sup>38</sup> The issuer's redemption policies must be publicly disclosed and "establish clear and conspicuous procedures for timely redemption."<sup>39</sup> If the issuer charges fees on purchasing or redeeming stablecoins, those fees must also be disclosed "publicly, clearly, and

- <sup>36</sup> § 4(a)(1)(C).
- <sup>37</sup> § 4(a)(3).

<sup>38</sup> § 4(a)(1)(B).

<sup>39</sup> Id.

<sup>&</sup>lt;sup>27</sup> Id.

<sup>&</sup>lt;sup>28</sup> § 3(c)(1).

<sup>&</sup>lt;sup>29</sup> § 3(c)(2).

<sup>&</sup>lt;sup>30</sup> § 3(a).

<sup>&</sup>lt;sup>31</sup> § 3(f).

<sup>&</sup>lt;sup>32</sup> See, e.g., 18 U.S.C. § 1960 ("Whoever knowingly conducts, controls, manages, supervises, directs, or owns all or part of an unlicensed money transmitting business, shall be fined in accordance with this title or imprisoned not more than 5 years, or both.")

 $<sup>^{33}</sup>$  § 4(a)(1)(A) ("A permitted payment stablecoin issuer shall . . . maintain identifiable reserves backing the outstanding payment stablecoins of the permitted payment stablecoin issuer on an at least 1 to 1 basis").

<sup>&</sup>lt;sup>34</sup> §§ 4(a)(1)(A)(i)-(iii).

<sup>&</sup>lt;sup>35</sup> §§ 4(a)(1)(A)(iv)-(vii).

conspicuously" in "plain language."  $^{40}$  Any modification to fees must be disclosed to consumers at least seven days in advance.  $^{41}$ 

There are a number of other consumer protection-focused provisions in the Act, including prohibitions on tying,<sup>42</sup> the use of deceptive names in marketing,<sup>43</sup> and representing that payment stablecoins are backed by the full faith and credit of the United States,<sup>44</sup> as well as priority for payment stablecoin holders in the event a payment stablecoin issuer becomes insolvent.<sup>45</sup> The Act also includes a "prohibition on interest"—permitted payment stablecoin issuers and foreign payment stablecoin issuers<sup>46</sup> may not "pay the holder of any payment stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such payment stablecoin."<sup>47</sup> This prohibition prevents payment stablecoins from functioning like deposit accounts or traditional investment products.

## Anti-Money Laundering and Sanctions Requirements

- ◆ BSA/AML and sanctions requirements. The GENIUS Act contains AML and sanctions compliance requirements, reflecting congressional concern over the potential use of stablecoins in illicit finance and terrorist activity. "[A] permitted payment stablecoin issuer shall be treated as a financial institution for purposes of the Bank Secrecy Act" and therefore "subject to all Federal laws applicable to a financial institution located in the United States relating to economic sanctions, prevention of money laundering, customer identification, and due diligence."<sup>48</sup> This includes (i) maintenance of an effective AML program; (ii) retention of appropriate records; (iii) suspicious activity monitoring and reporting; (iv) technical blocking, freezing, and rejecting capabilities; (v) effective customer identification programs, including "identification and verification of account holders with the permitted payment stablecoin issuer, high-value transactions, and appropriate enhanced due diligence"; and (vi) maintenance of an effective economic sanctions compliance program.<sup>49</sup> The Treasury Secretary is required to adopt regulations "tailored to the size and complexity" of the issuer, to implement these requirements.<sup>50</sup>
- Foreign payment stablecoin issuers. The Act also includes AML requirements focused on payment stablecoins issued by a foreign payment stablecoin issuer. In general, a "payment stablecoin that is issued by a foreign payment stablecoin issuer may not be publicly offered, sold, or otherwise made available for trading in the United States," unless, among other things, the issuer has the "technological capability to comply and complies with the terms of any lawful order."<sup>51</sup> If the Secretary of Treasury deems the foreign payment stablecoin issuer noncompliant, the Secretary is required to publish that determination in the Federal Register and issue a notification prohibiting digital asset service providers from facilitating secondary trading of payment stablecoins issued by the foreign payment stablecoin issuer.<sup>52</sup> The prohibition becomes effective 30 days after the date of notification.<sup>53</sup>

Notably, if a foreign payment stablecoin issuer is deemed noncompliant, the Secretary of the Treasury may grant a "specific license to any United States person engaging in secondary trading" of payment stablecoins issued by a foreign payment stablecoin issuer upon a determination that (i) prohibiting secondary trading would adversely affect the United States financial system, or (ii) the issuer has taken "tangible steps" to remedy "the failure to comply with the lawful

- $^{47}$  § 4(a)(11).
- <sup>48</sup> § 4(a)(5)(A).

- <sup>50</sup> § 4(a)(5)(B).
- <sup>51</sup> § 8(a)(1).
- <sup>52</sup> § 8(b)(1).

<sup>&</sup>lt;sup>40</sup> § 4(a)(1)(B).

<sup>&</sup>lt;sup>41</sup> *Id*.

<sup>&</sup>lt;sup>42</sup> See § 4(a)(8) (payment stablecoin issuers are prohibited from "provid[ing] services to a customer on the condition that the customer obtain an additional paid product or service from the permitted payment stablecoin issuer, or any of its subsidiaries, or agree to not obtain an additional product or service from a competitor.")

<sup>&</sup>lt;sup>43</sup> § 4(a)(9).

<sup>&</sup>lt;sup>44</sup> § 4(e).

<sup>&</sup>lt;sup>45</sup> § 11(a)(1).

<sup>&</sup>lt;sup>46</sup> See infra "Foreign Issuers."

<sup>&</sup>lt;sup>49</sup> §§ 4(a)(5)(A)(i)-(vi).

<sup>&</sup>lt;sup>53</sup> § 8(b)(2).

order that resulted in the noncompliance determination."<sup>54</sup> In consultation with the Director of National Intelligence and Secretary of State, the Secretary of the Treasury may also waive the application of secondary trading restrictions upon a determination that doing so is in the national security interest of the United States.<sup>55</sup>

*"AML innovation" provisions*. The Act requires the Secretary of the Treasury to conduct research and seek public comment to identify "innovative or novel methods, techniques, or strategies that regulated financial institutions use, or have the potential to use, to detect illicit activity such as money laundering."<sup>56</sup>

#### Custodial or Safekeeping Services

To provide "custodial or safekeeping services for the payment stablecoin reserve, the payment stablecoins used as collateral, or the private keys used to issue permitted payment stablecoins,"<sup>57</sup> custodians must be subject to supervision or regulation by a primary Federal payment stablecoin regulator, the Securities and Exchange Commission, the Commodities Futures Trading Commission, or certain state federal regulatory agencies.<sup>58</sup> Such persons are required to treat "payment stablecoins, private keys, cash, and other property" as belonging to the issuer or customer.<sup>59</sup>

Custodians may not comingle such property with their own assets, but "State chartered depository institution[s]," "insured depository institution[s]," "national bank[s]," or "trust compan[ies]," may comingle issuers' and customers' property "for convenience."<sup>60</sup> Custodians may also withdraw such property for the payment of "commissions, taxes, storage, and other charges" related to the provision of custodial services.<sup>61</sup> Insured depository institutions may also hold stablecoin reserves in the form of cash.<sup>62</sup>

#### Supervisory and Enforcement Authority

Supervision. Approved subsidiaries of insured depository institutions and Federal qualified payment stablecoin issuers are subject to supervision and examination by their primary Federal payment stablecoin regulator, as described above.<sup>63</sup> Issuers must, upon request, submit reports to their primary Federal payment stablecoin regulator including information on the issuer's financial condition, risk monitoring systems, compliance with the Act, and compliance with BSA/AML and sanctions requirements.<sup>64</sup> Similarly, under the Act, each regulator shall examine the issuer to assess the issuer's financial conditions, risks, and systems to monitor risks.<sup>65</sup>

With respect to State qualified payment stablecoin issuers, the applicable State payment stablecoin regulator shall have supervisory, examination, and enforcement authority over all such issuers, <sup>66</sup> and they may issue orders and rules applicable to State qualified payment stablecoin issuers "to the same extent as the primary Federal payment stablecoin regulators issue orders and rules."

State regulators are also permitted to enter into a memorandum of understanding with the Board "under which the Board may participate in the supervision, examination, and enforcement of this Act with respect to the State qualified

- <sup>56</sup> §§ 9(a)-(b).
- <sup>57</sup> § 10(a)(1).

<sup>&</sup>lt;sup>54</sup> § 8(c)(1).

<sup>&</sup>lt;sup>55</sup> § 8(c)(2).

<sup>&</sup>lt;sup>58</sup> Id.

<sup>&</sup>lt;sup>59</sup> § 10(b)(1).

<sup>&</sup>lt;sup>60</sup> § 10(c)(2).

<sup>&</sup>lt;sup>61</sup> § 10(c)(2)(B).

<sup>&</sup>lt;sup>62</sup> § 10(c)(2)(D).

<sup>&</sup>lt;sup>63</sup> § 2(25). The Act also specifies that "State-chartered depository institutions" that are not subsidiaries of an insured depository institution are regulated by the FDIC, the OCC, or the Board.

<sup>&</sup>lt;sup>64</sup> § 6(a)(2).

<sup>&</sup>lt;sup>65</sup> § 6(a)(3).

<sup>&</sup>lt;sup>66</sup> § 7(a).

<sup>&</sup>lt;sup>67</sup> § 7(d).

payment stablecoin issuers of such State."<sup>68</sup> Further, state regulators and the Board are required to share with each other "information on an ongoing basis with respect to a State qualified payment stablecoin issuer of such State, including a copy of the initial application and any accompanying documents."<sup>69</sup>

• *Enforcement*. If a primary Federal payment stablecoin regulator determines that an approved subsidiary of an insured depository institution or a Federal qualified payment stablecoin issuer (or an institution-affiliated party) is "willfully or recklessly" violating (or has willfully or recklessly violated) the Act, its regulations, or any condition imposed by a regulator, the regulator may prohibit the issuer from issuing payment stablecoins. The regulator may also take other actions based on violations or attempted violations of the Act, its regulations, and conditions imposed by a regulator, including temporary and permanent cease-and-desist proceedings, removal and prohibition proceedings, injunctive relief, and the imposition of civil penalties.<sup>70</sup> The Act sets out maximum penalty amounts for different tiers of violations.

As a general matter, State payment stablecoin regulators have enforcement authority over State qualified payment stablecoin issuers.<sup>71</sup> As with supervisory authority, however, the state regulator and the Board may enter into a memorandum of understanding to carry out enforcement authority.<sup>72</sup> Even absent a memorandum of understanding, the Act permits the Board and the OCC (as to nonbanks) to take enforcement actions against that issuer in "unusual and exigent circumstances."<sup>73</sup> The Board or the OCC may impose restrictions necessary to address a permitted issuer's activities constituting a "serious risk to the financial safety, soundness, or stability" of the permitted issuer.<sup>74</sup>

#### Foreign Issuers

While the federal and state pathways discussed above apply to domestic issuers, foreign issuers may also become a permitted issuer if they meet certain requirements. To become a permitted issuer, (i) the foreign entity must be subject to regulation and supervision by a foreign regulator<sup>75</sup> and (ii) the foreign regulatory and supervisory regime must be "comparable" to the regulatory and supervisory regime established under the Act.<sup>76</sup> The comparability of the foreign regime with the requirements established under the Act is determined by the Secretary of the Treasury upon recommendation of the SCRC.<sup>77</sup> Prior to such determination taking effect, the Secretary of the Treasury is required to publish a justification for the determination in the Federal Register. The Secretary of the Treasury must also keep and make publicly available a current list of foreign countries for which it has made such a determination.<sup>78</sup>

The Act also requires the foreign payment stablecoin issuer to, among other things, be registered with the OCC and hold sufficient reserves in a U.S. financial institution to meet U.S. customers' liquidity demands.<sup>79</sup>

Foreign payment stablecoin issuers are also subject to ongoing monitoring, including reporting, supervision, and examination requirements as determined by the OCC, and must consent to U.S. jurisdiction relating to the enforcement of

<sup>77</sup> § 18(b)(1).

<sup>78</sup> § 18(b)(5).

<sup>79</sup> §§ 18(a)(2)-(4).

<sup>&</sup>lt;sup>68</sup> § 7(b).

<sup>&</sup>lt;sup>69</sup> § 7(c).

<sup>&</sup>lt;sup>70</sup> §§ 6(b)(2)-(5).

<sup>&</sup>lt;sup>71</sup> § 7(a).

<sup>&</sup>lt;sup>72</sup> § 7(c).

<sup>&</sup>lt;sup>73</sup> § 7(e).

<sup>&</sup>lt;sup>74</sup> §§ 7(e)(1)(C), (2)(C).

 $<sup>^{75}</sup>$  The Act also permits regulation by a regulator of a United States territory. See § 18(a)(1).

<sup>&</sup>lt;sup>76</sup> § 18(a)(1). The Act also provides that the Secretary of the Treasury "may create and implement reciprocal arrangements or other bilateral agreements between the United States and jurisdictions with payment stablecoin regulatory regimes that are comparable to the requirements established under this Act." § 18(d).

the Act.<sup>80</sup> Either the OCC or the Secretary of the Treasury may rescind the approval of or revoke a foreign payment stablecoin issuer's registration, provided they first consult with the other.<sup>81</sup>

# **Next Steps**

As noted above, the GENIUS Act will go into effect on the earlier of (i) the date that is 18 months after the date of enactment (January 18, 2027) or (ii) the date that is 120 days after the primary Federal payment stablecoin regulators issue final regulations (November 15, 2026).

In the meantime, each primary Federal payment stablecoin regulator and the Secretary of the Treasury is required to promulgate regulations to implement the Act through notice-and-comment rulemaking. For states, the Act contemplates that state regulators may establish a "qualified" regulatory regime for payment stablecoins. If a state chooses to do so, its regulator would need to adopt implementing rules under its own state law processes.

The Act establishes the following key deadlines:

- Within 180 days after the date of enactment (by January 14, 2026), each Federal banking agency must submit to Congress a report "that confirms and describes the regulations promulgated to carry out this Act."<sup>82</sup>
- Within 180 days after the date of enactment (by January 14, 2026), the Secretary of Treasury must submit to Congress a report outlining innovative proposals related to AML and sanctions evasion.<sup>83</sup>
- Within one year after the date of enactment (July 18, 2026), State payment stablecoin regulators must submit a certification to the SCRC if they seek recognition that their regime meets the criteria for substantial similarity.<sup>84</sup>
- The GENIUS Act only regulates payment stablecoins, but requires that the Secretary of Treasury conduct a study, in coordination with the OCC, the FDIC, the SEC, and the CFTC, that analyzes categories of non-payment stablecoins and submit a report on that study. Within one year after the date of enactment (July 18, 2026), the Secretary of Treasury must submit a report to Congress that contains its findings related to non-payment stablecoins.<sup>85</sup>
- Within one year after the date of enactment (July 18, 2026), each primary Federal payment stablecoin regulator, the Secretary of the Treasury, and each State payment stablecoin regulator must promulgate regulations to carry out this Act through appropriate notice-and-comment rulemaking.<sup>86</sup>

# **Key Compliance Considerations**

The GENIUS Act establishes a phased compliance timeline that will require potential issuers to make early strategic choices, including determining licensing pathways and governance structures, while also preparing for longer-term operational and reporting obligations. Market participants should anticipate early supervisory engagement during the transition period and should begin considering the following:

• *Licensing Strategy*. Entities intending to issue payment stablecoins must determine the appropriate licensing pathway, which may include qualifying as a Federal qualified payment stablecoin issuer (with OCC approval), qualifying as a subsidiary of an insured depository institution (with approval by the appropriate Federal banking agency), or qualifying as a State qualified payment stablecoin issuer under a certified state regulatory regime.

<sup>&</sup>lt;sup>80</sup> § 18(c)(2).

<sup>&</sup>lt;sup>81</sup> § 18(c)(3).

<sup>&</sup>lt;sup>82</sup> § 13(c). Under the Act, the term "appropriate Federal banking agency" has the same meaning given to that term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813). *See* § 2(1). As such, the federal banking agencies who must submit a report to Congress include the OCC, FDIC, and the Board.

<sup>&</sup>lt;sup>83</sup> § 9(e).

<sup>&</sup>lt;sup>84</sup> § 4(c)(4)(A).

<sup>&</sup>lt;sup>85</sup> See § 14.

<sup>&</sup>lt;sup>86</sup> § 13(a).

- ◆ Reserve and Custody Framework. Issuers must design or update reserve management frameworks capable of maintaining 1:1 backing with eligible assets. This includes contracting with qualified custodians and implementing systems to produce monthly reserve certifications reviewed by independent auditors.
- *Consumer Protection*. Issuers must honor redemption requests in a "timely" manner and disclose redemption terms and fees in plain language. Issuers must also comply with tying prohibitions and adhere to the Act's guidelines on deceptive marketing.
- ◆ *AML and Sanctions Compliance*. Issuers will be subject to BSA/AML and sanctions obligations, and the Treasury Department will issue implementing regulations geared to the size and complexity of the issuer. Additionally, the Act mandates that issuers have technical capabilities to block, freeze, and reject prohibited transactions, and maintain an effective economic sanctions compliance program, including through verification of sanctions lists.
- *Foreign Issuer Eligibility*. Foreign issuers whose payment stablecoins are offered or made available to U.S. persons, whether directly or through secondary trading, must meet a number of requirements, including comparability standards set by the Secretary of the Treasury and the ability to comply with the terms of lawful orders (e.g., transaction blocking). Noncompliance can result in public notice of noncompliance and restrictions on secondary trading.

Paul, Weiss is uniquely positioned to help clients navigate this rapidly evolving regulatory landscape. Our team brings deep experience across digital assets (including stablecoins), payments, financial regulation, and AML/sanctions, and we regularly advise financial institutions and other market participants on complex licensing, compliance, and enforcement matters. We stand ready to assist clients with analyzing and complying with the GENIUS Act and participating in the various federal and state notice-and-comment rulemaking proceedings that will play a crucial role in shaping the regulatory scheme.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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