

## THE GENIUS ACT

### Summary

Stablecoins are digital assets designed to maintain a consistent market value, typically in reference to a given asset. Fiat-backed stablecoins, such as those contemplated in the GENIUS (*Guiding and Establishing National Innovation in U.S. Stablecoins*) Act, are assets backed by a 1:1 reserve of official government currency, like the US Dollar.

There is currently no comprehensive regulatory framework for stablecoins. The GENIUS Act creates a clear and robust regulatory framework for the issuance and treatment of payment stablecoins in the United States; protecting consumers and ensuring U.S. leadership in the future of the digital economy.

### Where We Are Now

The GENIUS Act, the result of bipartisan discussions, aims to foster digital asset innovation and U.S. competitiveness, while safeguarding consumers from any potential risks. It also seeks to bolster national security and prevent foreign entities from exploiting loopholes to the detriment of U.S. citizens.

GENIUS will be the first major piece of crypto-centered legislation to pass on the floor of the United States Senate, and the first stablecoin bill to pass through either Congressional chamber.

### The Bill

- **What is a payment stablecoin?** A payment stablecoin is a digital asset designed for payment or settlement, where the issuer is obligated to maintain a stable value and redeem the asset for a fixed monetary value.
- **Who can issue payment stablecoins?** Permitted stablecoin issuers can be approved subsidiaries of insured depository institutions; a non-bank issuer approved by a federal process laid out in the bill; a non-bank issuer approved by a qualified state process.
- **What are the requirements for becoming a permitted payment stablecoin issuer?** An applicant must demonstrate a robust financial condition and maintain appropriate resources, provide background information on company officers, directors and principal shareholders, and satisfy other relevant safety and soundness factors.
- **Who supervises permitted payment stablecoin issuers?** Permitted payment stablecoin issuers are supervised by different regulators based on their structure. Bank subsidiaries are overseen by their federal banking regulator (such as the OCC, Federal Reserve, or

FDIC). Credit union issuers fall under the National Credit Union Administration. Non-bank issuers approved by the OCC are supervised by the OCC. State-chartered issuers are regulated by state agencies. All permitted stablecoin issuers will be subject to robust requirements, including 1:1 reserve backing with high-quality liquid assets, monthly public disclosures with third-party attestation, and comprehensive risk, capital, and AML compliance standards.

- **What happens if an issuer fails?** Non-bank issuers can file for bankruptcy under an amended U.S. Bankruptcy Code. Bank issuers are resolved by the FDIC or under applicable state insolvency law, depending on whether they are federally insured. Under the GENIUS Act, a critical provision is that holders of stablecoins themselves would have first priority over *all other* creditors, regardless of whether the failure is handled under federal or state law.
- **What are the AML requirements?** Under GENIUS, payment stablecoin issuers would be classified as financial institutions for purposes of the federal Bank Secrecy Act. This would subject them to the full range of anti-money laundering (“AML”) compliance obligations, including, among others, customer identification and due diligence, and reporting of suspicious activity. As part of this, issuers are required to submit certifications stating the issuer has submitted sufficient AML and sanctions compliance program. Failure to submit would allow the regulator to revoke appraisal of the issuer. GENIUS even clarifies Treasury’s authority to apply sanctions on offshore tokens that are backed by U.S. dollars.

In addition, a payment stablecoin that is not issued by a permitted payment stablecoin issuer will not be treated as cash or cash equivalent for accounting purposes. This means that businesses and financial institutions cannot hold it on their balance sheets as a liquid asset, further discouraging the use of stablecoins that are **not** compliant under the GENIUS Act.

### **Why The US Needs a Stablecoin Law NOW**

A comprehensive regulatory framework for payment stablecoins is essential to unlocking their full potential and ensuring U.S. leadership in the future of digital finance. By enabling greater adoption of dollar-denominated stablecoins, Congress can reinforce the primacy of the U.S. dollar in global markets. A trusted, well-regulated environment will encourage responsible innovation and ensure that stablecoin activity remains anchored in the U.S. financial system. The GENIUS Act employs risk-based standards and clear lines of regulatory authority that will bolster consumer confidence, financial stability, and the strategic role of the dollar in the digital economy.