

## Payment Stablecoin Regulatory Framework Established as GENIUS Act Signed Into Law

Alert

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The Guiding and Establishing National Innovation for U.S. Stablecoins Act (the GENIUS Act) was recently signed into law by President Trump, establishing a regulatory framework for payment stablecoins and their issuers. The bill passed both congressional chambers with bipartisan support and will take effect within 18 months after enactment or 120 days after any final regulations implementing the Act are issued, whichever is earlier.

The GENIUS Act prohibits the issuance of payment stablecoins in the United States unless issued by a permitted payment stablecoin issuer and lays out the process and requirements to become a permitted payment stablecoin issuer.

- A “payment stablecoin” is defined as a digital asset used, or designed to be used, as a means of payment or settlement, the issuer of which (i) is obligated to redeem for a fixed amount of monetary value, and (ii) represents that such issuer will maintain, or create the reasonable expectation that it will maintain, a stable value relative to the value of a fixed amount of monetary value.
- “Permitted payment stablecoin issuer” is defined as a person formed in the United States that has been approved to issue payment stablecoins by a federal or state regulator.

Most permitted payment stablecoin issuers will be regulated by the federal banking agencies, but state qualified payment stablecoin issuers with a consolidated total outstanding issuance of less than \$10 billion may choose state-level regulation that is “substantially similar” to the federal framework.

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With respect to the interplay between the federal and state supervisory frameworks, the Act further provides that state-chartered depository institutions which have permitted payment stablecoin issuer subsidiaries may engage in money transmission or custodial services through that subsidiary as long as its home state's laws require that adequate liquidity and capital be maintained.

Permitted payment stablecoin issuers will be treated as financial institutions for purposes of the Bank Secrecy Act, and are thus subject to all federal laws related to economic sanctions, anti-money laundering, customer identification, and due diligence. Importantly, permitted payment stablecoin issuers must:

- Maintain identifiable reserves backing such issuer's outstanding payment stablecoins on at least a 1:1 basis in specified investment types, which may not be rehypothecated except in certain defined instances.
- Disclose such issuer's redemption policy, which must contain clear and conspicuous procedures for timely redemption of outstanding stablecoins and list all fees associated with the purchase or redemption of the payment stablecoins.
- Publish the monthly composition of reserves on its website, which must be examined by a registered public accounting firm and a certification submitted each month to the applicable regulator.

Issuers are prohibited by the Act from paying interest or yield to the holder of any payment stablecoin solely in connection with holding or using such stablecoin, though there is no prohibition on other entities (such as crypto exchanges or platforms themselves) paying similar interest or yield. Issuers also may not provide services on the condition that a customer obtain an additional paid product or service from such issuer or its subsidiaries.

A Stablecoin Certification Review Committee, comprised of the Secretary of the Treasury, the Chair of the Board of Governors of the Federal Reserve, and the Chair of the Federal Deposit Insurance Corporation, is formed by the Act and will be the body charged with:

- Unanimously approving an application from a public company that is not predominantly engaged in financial services that seeks to issue payment stablecoins.
- Determining when a state-level regulatory framework is deemed "substantially similar" to the federal-level framework established under the GENIUS Act.

Among other things, to implement the GENIUS Act, federal and state regulatory agencies are required to issue regulations on the following topics:

- Capital requirements applicable to permitted payment stablecoin issuers that are tailored to such issuer's risk profile.

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- Receiving, reviewing, and responding to applications from persons seeking to issue payment stablecoins.
- Standards for payment stablecoin issuers to identify and report illicit activity involving payment stablecoins.

Stinson LLP attorneys stand ready to advise stablecoin issuers and others in the payments and banking ecosystems to address compliance matters arising from the GENIUS Act.

For more information on the GENIUS Act, please contact [Heidi Wicker](#), [Audrey Carroll](#), [Marisa Perfetti](#), [Matthew Grimaldi](#), or the Stinson LLP contact with whom you regularly work.

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