Broad Coalition to Congress: Strike Uninsured Depository Flaw in GENIUS Act

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Washington, D.C. – A broad coalition of state, consumer, and bank groups have joined the Conference of State Bank Supervisors (CSBS) in **asking Congress** to strike a provision in the recently passed stablecoin legislation that risks harming consumers, creates an unlevel playing field for certain uninsured banks, and significantly erodes state authority to supervise these institutions.

Section 16(d) of the GENIUS Act grants an uninsured state-chartered bank with a payment stablecoin subsidiary broad authority to engage in nationwide money transmission and custody activities "through" that subsidiary, bypassing host state licensing and oversight.

“This unprecedented preemption of state law and supervision weakens vital consumer protections, creates opportunities for regulatory arbitrage, and undermines state sovereignty,” says the letter, signed by CSBS, the American Bankers Association, Americans for Financial Reform, Independent Community Bankers of America, Money Transmitter Regulators Association, National Conference of State Legislatures, and the National Consumer Law Center.

The letter asks Congress to strike the GENIUS Act provision in market structure legislation now under consideration in the Senate and to reject any proposals that would extend preemption to the activities of other uninsured banks.

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The Conference of State Bank Supervisors (CSBS) is the national organization of financial regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico, and U.S. Virgin Islands. State regulators supervise 79% of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance and debt industries.

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