[A Look Back at One Year of GENIUS Implementation](#)

BLOG POST

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One year ago, President Trump signed the GENIUS Act, creating a comprehensive national framework for stablecoin issuance. A decade prior, dollar-backed stablecoins had developed and began maturing under regulation by state money transmission and virtual currency laws. But growing interest from regulated financial institutions, the difficulty of limiting access to unregulated stablecoins, and the risks posed by a potential stablecoin run all made last year a critical moment for developing a uniform national floor.

The GENIUS Act establishes a central prudential requirement: stablecoins must be backed 1:1 with high quality, short duration reserve assets that may not be rehypothecated. The reserve requirement is buttressed with additional standards, helping promote the safe and sound operations of issuers. Federal regulators and states that choose to establish a substantially similar framework for regulating stablecoin issuers are now tasked with turning those standards into a complete regulatory framework.

Along with setting a federal floor, Congress recognized the role that states have played in the development of stablecoin markets. Beyond retaining a state pathway for approving stablecoin issuers, the GENIUS Act preserves the applicability of state consumer protection law. It also retains state supervisory authority over federally approved issuers that are the subsidiaries of state-chartered banks.

The one-year anniversary of the GENIUS Act isn't just a sentimental milestone. It marks the statutory deadline for Treasury and the federal banking regulators to issue most of the implementing regulations. While the agencies have not met that ambitious goal, they have at least issued proposals for implementing most of the requirements. States have also begun to develop their own frameworks, creating a clearer view of how the system will fit together. The volume of work already completed by regulators makes the one-year mark a good moment for a retrospective on how GENIUS Act implementation has gone so far, what's still to come, and what risks we must carefully monitor.

The State of Federal Implementation

Five federal agencies have rule writing responsibilities under GENIUS. The federal banking agencies (the FRB, OCC, FDIC, and NCUA ("FBAs")) must coordinate to write implementing regulations for the issuers they oversee. Treasury must establish principles for determining if a state's stablecoin regulation is substantially similar to the federal framework. Via FinCEN and OFAC, Treasury is also responsible for establishing anti-money laundering and sanctions requirements for issuers.

OCC fails to clear the bar on capital, consumer protection, and trust charters

Despite a mandate to coordinate, the federal banking agencies have moved at differing speeds. The OCC took the lead, proposing a voluminous set of rules governing an issuer's permissible activities, along with redemption, capital, liquidity, risk management, and reporting requirements.

This proposal asked over 200 questions and reflected careful consideration of many of the key regulatory design choices. But the OCC missed opportunities to advance the GENIUS Act's goals of consumer protection and safe and sound innovation, in part because it muddled stablecoin issuer regulations with the OCC's efforts to privilege its national trust charter. The combined impact of the OCC's erroneous legal interpretations would be lightly capitalized stablecoin issuers permitted to engage in a wide variety of risky activities, posing a major threat to financial stability and consumer protection.

In its comment, CSBS suggested changes to help achieve these aims:

- **Ensuring Adequate Capital Requirements**: The proposed rule lacked an objective capital requirement based on reserve or issuance volume. The OCC expects that under its risk-based approach, most issuers will maintain between $6 million and $25 million in capital. That level would represent a sharp decrease from the reserve-based capital levels required by state money transmission laws, which can rise above $300 million for the largest issuers. Undercapitalized stablecoin issuers are vulnerable to counterparty or custodian failures, reserve asset valuation volatility, and operational disruptions. The OCC should adopt a reserve-based capital metric like the one successfully required by states to date, which would establish a capital requirement of roughly 0.5% of assets for the largest issuers.
- **Strengthening Consumer Protection**: Although the OCC recognized the GENIUS Act's explicit preservation of state consumer protection laws, its proposal did not include any compliance requirements. Because the OCC has exclusive visitorial authority over its issuers, it should require them to implement written plans for complying with applicable state consumer protection laws. The OCC should also disclaim its statement that other laws, like the National Bank Act, may preempt the application of state consumer protection law to stablecoin issuers – for which the GENIUS Act sets the explicit standard.
- **Appropriately scoping national trust charter issuer activities**: The OCC's proposed rule misinterprets the GENIUS Act by seeking to excuse national trust charters from the clear activity-based limits the law imposes on stablecoin issuers. These limits are designed to prevent issuers from engaging in risky activities that could transmit contagion into the financial system and place consumers at risk. This contradiction is especially concerning because it is part of a broader effort by the OCC to aggressively expand the powers of national trust charters beyond the limits established in the National Bank Act.

The FDIC should work closely with states to smooth the path for state-chartered bank subsidiaries

The FDIC's two proposals, which apply to issuers that are subsidiaries of state-chartered nonmember uninsured banks, largely follow the OCC's proposal in terms of structure and requirements. There are some differences related to redemption requirements, reserve asset composition, and application expectations, reflecting some lack of coordination among the FBAs.

CSBS's comments on these proposals encouraged the FDIC to explicitly recognize that chartering states determine whether their state-chartered bank is authorized to establish a stablecoin issuer subsidiary. CSBS also emphasized that the GENIUS Act explicitly recognizes that states have inherent authority to regulate and supervise the activities of those state-chartered parents and to supervise their issuer subsidiaries. To reduce regulatory burden, the FDIC should explicitly involve state regulators in the FDIC's approval process and coordinate supervisory activities

CSBS also reiterated its concerns with the similarly lax capital requirements for FDIC approved issuers. Beyond the lack of an objective reserve-based capital requirement, neither the FDIC nor the OCC require issuers to deduct intangible assets from their regulatory capital. This type of deduction is standard practice for both banks and money transmitters, and both issuers and parent banks would be safer if the regulators explicitly require it.

Treasury's principles for substantial similarity risk limiting the regulatory innovation that has fueled the rise of dollar-based stablecoins

Before a state can approve stablecoin issuers, it must meet two conditions. First, it must establish a stablecoin regulatory regime that is substantially similar to the federal framework. In April, Treasury proposed principles for determining substantial similarity.

Second, once a state certifies that its framework is substantially similar, the Stablecoin Certification Review Committee, made up of the Treasury Secretary and Chairs of the Federal Reserve and FDIC, must review the certification to ensure the state's framework meets or exceeds the prudential and risk management requirements in Section 4(a) of the GENIUS Act. "Substantial similarity" and "meets or exceeds the requirements of Section 4(a)" are distinct standards with distinct evaluation criteria.

The proposed principles do recognize that states may implement requirements beyond the GENIUS Act minimums. This flexibility allows states to serve as laboratories of innovation. Unfortunately, other parts of the proposed principles would force states to implement Section 4(a) nearly identically to the OCC.

The principles treat some provisions of Section 4(a), like audit frequency or rehypothecation limits, as "uniform" and could require states to have identical requirements to the OCC. Treasury's interpretation of "state-calibrated" provisions, like operational backstop or discretionary redemption limits, would require states to treat the OCC's implementation as a floor, even if the OCC now or in the future chooses to exceed the plain language of the GENIUS Act.

CSBS's comment explained that this approach gives states little latitude to implement frameworks that both meet the GENIUS Act requirements and make meaningfully different policy choices from the OCC. Enforcing conformity is premature, as the OCC itself is weighing a number of policy tradeoffs – tradeoffs that the GENIUS Act allows states to balance differently based on local needs and conditions. Letting states make an independent assessment reduces the risk of the OCC narrowing or even choking off innovation in stablecoin markets with a one-size-fits-all policy choice. Allowing flexibility for states also reduces the chances that the OCC inadvertently makes an erroneous policy choice based on incomplete and uncertain information. It also insulates disruptions to state frameworks and stablecoin markets from future changes to stablecoin policy at the OCC.

Accordingly, CSBS called on Treasury to reconsider its approach and honor the GENIUS Act's statutory goal of permitting variety and innovation among state regulatory regimes.

FinCEN and OFAC broke new ground on sanctions compliance, but limited secondary market impacts elsewhere

The GENIUS Act established Bank Secrecy Act and Anti-Money Laundering compliance and sanctions requirements for issuers. Because stablecoins are bearer instruments that can move across borders with little friction, strong BSA/AML and sanction programs are critical to combating illicit finance.

FinCEN and OFAC proposed a joint rule treating issuers as financial institutions for BSA/AML purposes and requiring them to establish and maintain effective AML programs. The FDIC and OCC have followed with identical requirements for their regulated issuers. While these proposals largely mirrored existing requirements for financial institutions, they do include two novel provisions.

First, stablecoin issuers are the first type of entity required to establish and maintain a sanctions compliance program. This decision likely recognizes the major spike in compliance avoidance using stablecoins, particularly via the ruble-linked A7A5 token.

Second, issuers must also maintain the capability to block, freeze, or reject secondary market stablecoin transactions pursuant to any lawful order and burn or disable associated tokens. Issuers have been inconsistent in their willingness to implement such a block or freeze, failing to do so during the Drift hack and allegedly refusing a law enforcement order to help recover the assets of scam victims in Wisconsin.

CSBS supported requiring issuer capabilities to extend to secondary markets. It also recommended that FinCEN remove its mandatory consultation process for significant supervisory actions by federal banking regulators, or at least take steps to ensure the process does not exceed 30 days from notification.

The requirement for issuers to reach into the secondary market does not extend to customer identification requirements. A joint rulemaking between FinCEN and the FBAs clarified that issuers, who must have a customer identification program, but are only required to perform identity verification on customers who interact with the issuer directly. There is no such obligation to identify holders who obtain the tokens on the secondary market. This obligation also does not extend to holders who only interact with the issuer via a smart contract.

State Implementation Moving Forward, with More to Come

States have acted quickly to embrace their role in approving and regulating stablecoin issuers, with several establishing frameworks intended to be GENIUS Act compliant, and others taking initial steps in the process.

During the 2026 legislative session, several states adopted legislation empowering their state banking or securities regulator to license and supervise stablecoin issuers in compliance with the GENIUS Act. Legislation in Georgia, Florida, and Delaware enacts GENIUS-like requirements into state law, while legislation in Alabama and Maryland creates a licensing and application framework and then grants the regulator authority to implement GENIUS Act compliant rules. Many of these laws specify that only trust companies or other regulated entities may become state qualified issuers.

In June, the New York Department of Financial Services, already one of the main stablecoin regulators via its BitLicense and limited purpose trust company law, proposed regulations specific to stablecoin issuers. Those regulations largely mirror the requirements imposed by the OCC.

Other states are likely to follow, as state legislative sessions resume in early 2027. Some states have likely been waiting for Treasury to finalize its proposed principles for substantial similarity, which will help guide their implementation.

One challenge that state legislatures face is the ambiguity of the GENIUS provision governing the timing of when states may certify their frameworks as substantially similar. A potential reading of the text is that states must certify within one year of the law’s effective date, which would create a deadline for states of Jan. 18, 2028. That interpretation would mean that 2027 is the last year for a state to establish a stablecoin regulatory regime. But nothing in the GENIUS Act directs the SCRC to reject state certifications made after that date. Several Senate offices involved in drafting GENIUS sent a bipartisan letter urging Treasury to clarify that states may submit their certification when they are ready, and future legislation (such as the Clarity Act) may also clarify this certification timeline.

Miles to Go Before We Rest

As even this highly condensed summary shows, the GENIUS rulemaking rush has felt overwhelming at times. But there is still more to come! Despite the looming statutory deadline, the Federal Reserve Board has not proposed rules governing issuers that are subsidiaries of state-chartered member banks or anti-tying regulations for which it has sole responsibility. Treasury has not yet proposed statutorily required rules governing foreign issuers or interpreting the GENIUS Act provision that limits the ability of non-financial companies to issue stablecoins or own stablecoin issuers.

The latest version of Senate market structure legislation (Clarity Act) would adjust several provisions of the GENIUS Act, including most notably limits on the ability of DASP's to pay yield on stablecoins. Other adjustments may be added as part of floor consideration. In particular, Congress should repeal Section 16(d) of the GENIUS Act, which allowed uninsured depository institutions to conduct money transmission and custody activities through a stablecoin issuer subsidiary. As a coalition of state financial regulators, state legislators, consumer advocacy groups, and bank trade groups told Congress in a letter: "This unprecedented overriding of state law and supervision weakens vital consumer protections, creates opportunities for regulatory arbitrage, and undermines state sovereignty."

Meanwhile, states and federal agencies must begin the important and technical work of publishing applications and reporting forms, establishing exam procedures, and otherwise transitioning much of the work of stablecoin supervision from purely state supervision to a joint state and federal framework. States will also need to assess their state laws to determine the steps they need to take to permit state-chartered banks to form stablecoin issuer subsidiaries. States must also establish which consumer protection laws apply, and enact rules or laws if additional protections are needed.

If the Clarity Act does not become law, states will also remain the only regulator of offer and sale of stablecoins to consumers by DASPs. While some states, like New York, California, and Illinois, have virtual currency laws governing DASPs, many others use money transmission laws or lack a clearly applicable framework. As stablecoin transactions become more prevalent, states will need to expand their consumer protection oversight to cover issues like DASP error resolution and complaint handling, stablecoin payment confirmations, and marketing. They will also need to consider how to regulate decentralized finance applications, which often permit money transmission, lending, or deposit-like products tied to digital assets.

While the pace of public enactments may slack somewhat, astute watchers should continue to keep an eye on Washington and state capitals to see how the GENIUS Act toddles along next.

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