November 24, 2026

Benjamin W. McDonough, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Docket Nos. R-1899 and R-1900
RIN 7100-AH29 and RIN 7100-AH30

Re: *Implementing the Federal Reserve Board's Responsibilities Under the GENIUS Act* and *Application Procedures for Board-Supervised Insured Depository Institutions Seeking Approval for a Subsidiary To Issue Payment Stablecoins*

The Conference of State Bank Supervisors ("CSBS")[1] provides the following comments on the notices of proposed rulemaking issued by the Board of Governors of the Federal Reserve System (the "Board") entitled *Implementing the Federal Reserve Board's Responsibilities Under the GENIUS Act*[2] and *Application Procedures for Board-Supervised Insured Depository Institutions Seeking Approval for a Subsidiary To Issue Payment Stablecoins*.[3]

The Board's implementing regulations appropriately reflect Congressional intent to establish a regulatory framework for payment stablecoins that fits within the dual banking system. The Board should make targeted revisions to better account for state authority and promote parity between state and federally chartered institutions. In finalizing its proposals, the Board should:

- Coordinate with states in implementing its regulatory, supervisory, and enforcement authorities over issuers and their parent member banks;
- Maintain its proposed capital requirements; and
- Provide additional clarity regarding issuer consortia.

I. The Board should coordinate with states in implementing its regulatory, supervisory, and enforcement authorities over issuers and their parent member banks.

The GENIUS Act designates the Board as the primary federal regulator of stablecoin issuers that are subsidiaries of state member banks. As chartering authorities in a dual banking system, states have inherent authority to authorize state banks to invest in subsidiaries and to regulate both parent and subsidiary activities. Additionally, the GENIUS Act explicitly affirms that states retain the authority to supervise state bank subsidiaries that are stablecoin issuers.[4]

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[1] CSBS is the nationwide organization of state banking and financial regulators from all 50 states, the District of Columbia, and the U.S. territories. The views presented in this letter may not reflect the policy of individual states.
[2] Board of Governors of the Federal Reserve System, Notice of Proposed Rulemaking, *Implementing the Federal Reserve Board's Responsibilities Under the GENIUS Act*, 91 Fed. Reg. 61580 (Sept. 29, 2026) (hereinafter "Implementation Proposal").
[3] Board of Governors of the Federal Reserve System, Notice of Proposed Rulemaking, *Application Procedures for Board-Supervised Insured Depository Institutions Seeking Approval for a Subsidiary To Issue Payment Stablecoins*, 91 Fed. Reg. 61346 (Sept. 29, 2026) (hereinafter "Application Procedures").
[4] *See* 12 U.S.C. 5904(h).

The GENIUS Act also grants the Board certain regulatory, supervisory, and enforcement authorities over state-qualified issuers in limited circumstances. As such, oversight of both Board-approved and state-qualified issuers will involve a combination of Board and state efforts. The Board should coordinate with states in exercising its authorities over such issuers.

a. In its issuer application review framework, the Board should require confirmation that a state bank applicant's chartering authority does not object to the proposed activities or business model on safety and soundness grounds.

States have inherent authority to authorize both investment in state bank subsidiaries and the activities conducted by parent banks and their subsidiaries. As such, states must authorize both investment in and the activities of a state stablecoin issuer subsidiary. Afterwards, the parent bank may seek Board approval to issue stablecoin through the subsidiary. This inherent authority is not fully reflected in the Board's interpretation that Section 5(h) of the GENIUS Act is self-executing or in its proposed application procedures.[5]

In authorizing issuer subsidiaries, states may set conditions, including on safety and soundness grounds. Section 5(c)(5) of the GENIUS Act permits the Board to consider discretionary factors in evaluating the safety and soundness of prospective issuers.[6] To that end, the Board should require, as part of its application review process, confirmation that a state bank applicant's chartering authority does not object to or seek to limit the activities or business model as proposed in the application. To facilitate this confirmation, the Board or bank applicants should share all relevant application materials with the applicant's chartering authority.

b. The Board should coordinate its supervision of issuers with states.

Under the GENIUS Act, the Board and states have coinciding supervisory authorities. The GENIUS Act says that states may supervise state bank subsidiaries that are stablecoin issuers, such as Board-supervised issuers.[7] The GENIUS Act also requires states to share information with the Board regarding state-qualified issuers[8] while allowing states to enter a memorandum of understanding wherein the Board participates in oversight.[9] Additionally, the Board proposes that uninsured state member banks that are state-qualified issuers be subject to supervision, regulation, and enforcement by both the Board and their state regulator.[10]

The GENIUS Act mandates that the federal stablecoin regulators avoid duplication.[11] The Board and states have a long history of coordinated supervision that should be built upon to establish a robust, non-duplicative approach to supervising stablecoin issuers. Existing coordination channels between the Board and states, including recurring calls, regular information sharing, and common examiner tools, should be replicated as appropriate. In particular, the supervision of uninsured state member banks that

[5] *See* Implementation Proposal, *supra* note 2 at 61581.
[6] *See* 12 U.S.C. 5904(c)(5).
[7] *See* 12 U.S.C. 5904(h).
[8] *See* 12 U.S.C. 5906(c).
[9] *See* 12 U.S.C. 5906(b).
[10] *See* Implementation Proposal, *supra* note 2 at 61666 (proposed § 208.113(c)).
[11] *See* 12 U.S.C. 5905(a)(4)(B).

are state-qualified issuers, should there be any, will necessitate the development of new collaborative oversight structures.

c. The Board should publish more detailed review standards for large state-qualified issuers seeking a waiver from transitioning to federal oversight.

The Board should publish more detailed review standards for state-qualified issuers that have surpassed $10 billion in outstanding issuance value and are seeking a waiver from transitioning to federal oversight. The Board takes the well-reasoned position that it should be considered the primary federal regulator of state-qualified issuers that are uninsured banks. Under this interpretation, the Board would help administer the statutory transition to the federal framework when these issuers surpass $10 billion in outstanding issuance value.

Regardless of who their primary federal regulator is, a state-qualified issuer should be evaluated by detailed review standards when it seeks a waiver from transitioning to federal oversight. Section 4(d)(3)(b) of the GENIUS Act describes four exclusive criteria that federal regulators may consider in reviewing a waiver request.[12] In proposed § 247.51(d)(2), the Board restates these criteria without providing additional information about how the criteria will be evaluated.[13] Without more detailed review standards, issuers approaching the $10 billion threshold face uncertainty. Clearer standards would establish a more transparent, consistent, and objective review mechanism by further elucidating the statutory factors in the GENIUS Act. Specifically, the Board should:

- Determine that capital is adequate if the issuer's state requirements meet or exceed the Board's requirements;
- Evaluate past operational and examination history based on whether the Board can identify any material findings or risks and whether these findings or risks were remediated in a timely manner; and
- Rely on a state's certification that its regime is substantially similar to the federal framework in evaluating the supervisory framework an issuer was subject to prior to crossing the $10 billion threshold.

Additionally, the Board should grant a presumptive waiver to issuers supervised by a state that has entered a memorandum of understanding with the Board pursuant to Section 7(b) of the GENIUS Act.[14] The Board would participate in the oversight of such issuers under their state framework regardless of their size.

Developing an exit mechanism for jointly supervised state-qualified issuers that fall below the $10 billion threshold, as the OCC did in its final GENIUS Act implementation rule,[15] would likewise reduce burden.[16]

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[12] *See* 12 U.S.C. 5903(d)(3)(b).
[13] *See* Implementation Proposal, *supra* note 2 at 61683 (proposed § 247.51(d)(2)).
[14] *See* 12 U.S.C. 5906(b).
[15] *See* OCC, Final Rule, *Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency*, 91 Fed. Reg. 67000 (Oct. 23, 2026) at 67185 (§ 15.15(e)).
[16] *See* Implementation Proposal, *supra* note 2 at 61643 (Question 223).

d. The Board should consult with states prior to acting under unusual and exigent circumstances whenever feasible.

The Board should presume that it will consult with states prior to acting under unusual and exigent circumstances when it is practical to do so. The GENIUS Act gives the Board enforcement authority over state-qualified issuers in unusual and exigent circumstances, requiring the Board to notify state regulators at least 48 hours in advance of acting.[17] Proposed § 247.50(c) describes what such circumstances may entail, listing a broad range of factors ranging from secondary market price volatility to the failure of a custodian that an issuer relies on.[18] Proposed § 247.50(d)(2) says that the Board may consult with state regulators prior to acting under unusual and exigent circumstances.[19] Such consultation would prevent the Board and states from acting in a divergent manner that could potentially lead to exacerbating the underlying weakness at the institution. While there may be situations when state consultation prior to the Board acting under its exigent authority is impossible, the Board should coordinate with states to the greatest extent possible.

e. The Board should allow state branches of foreign banks to become state-qualified issuers.

The Board should amend Regulation K to permit uninsured state branches of foreign banks to become state-qualified stablecoin issuers.[20] State branches of foreign banks approved as state-qualified issuers would meet the GENIUS Act's two-pronged definition.[21] Additionally, as federal branches of foreign banks are considered persons "formed in the United States" for the purposes of the GENIUS Act, it would be consistent to regard state branches in the same way. Revising Regulation K to accommodate state branches of foreign banks would remove an unnecessary barrier to state-qualified stablecoin issuance.

II. The Board should maintain its proposed capital requirements.

Scaling capital requirements with outstanding issuance value is a well-founded approach. Section 4(a)(4) of the GENIUS Act requires the Board to develop capital requirements tailored to issuer business models and risk profiles.[22] The Board proposes an objective methodology for factoring issuance value into its capital framework based on operational risks.[23] This approach accounts for the fact that, as issuance value and accompanying reserve balances grow, the risks posed by cyberattacks, sanctions avoidance, fraud, and other vectors grow commensurately. The Board's methodology will help issuers of all sizes remain resilient despite losses that may be incurred due to such operational threats.

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[17] *See* 12 U.S.C. 5906(e)(1)(A).
[18] *See* Implementation Proposal, *supra* note 2 at 61681-82 (proposed § 247.50(c)).
[19] *See id.* at 61682 (proposed § 247.50(d)(2)).
[20] *See id.* at 61646 (Question 232).
[21] *See* 12 U.S.C. 5901(31). The GENIUS Act defines a state-qualified issuer as an entity that is (i) "legally established under the laws of a State and approved to issue payment stablecoins by a State payment stablecoin regulator" and (ii) "not an uninsured national bank chartered by the Comptroller pursuant to title LXII of the Revised Statutes, a Federal branch, an insured depository institution, or a subsidiary of such national bank, Federal branch, or insured depository institution."
[22] *See* 12 U.S.C. 5903(a)(4).
[23] *See* Implementation Proposal, *supra* note 2 at 61679 (proposed § 247.18).

The Board's proposal aligns with best practices from state supervision of stablecoin issuers and similar entities. For example, states have regulated stablecoins as stored value under the Money Transmission Modernization Act, which scales capital requirements with the size of an entity's balance sheet.[24]

III. The Board should provide additional clarity regarding issuer consortia.

The Board's proposal would establish the pathway for member bank subsidiaries to be permitted to issue stablecoin.[25] While some state member banks may choose to establish a permitted stablecoin issuer subsidiary, others may prefer to engage in stablecoin issuance through different means, including through stablecoin issuers with a consortium model. The Board acknowledges these alternative arrangements and notes that state member banks' non-controlling investments would be governed according to other relevant statutes.[26] To better reflect the range of state member banks' controlling and non-controlling investments in permitted stablecoin issuers, the Board should revise proposed § 208.113(b). Such a revision might read:

> (b) *Investments in permitted payment stablecoin issuers (PPSIs).* An insured State member bank may own a controlling interest in a Board-supervised PPSI, as that term is defined in § 247.2 of this title, provided that the insured State member bank has received the prior approval of the Board for a subsidiary to issue payment stablecoins pursuant to part 247, subpart D of this title. This section does not preclude a State member bank from owning a non-controlling interest in a PPSI as that term is defined in § 247.2 of this title, subject to applicable Federal and State law.

Consistent with this revision, the Board should update its application procedures to establish a defined pathway for applications from consortia, including those consisting of banks with either controlling or non-controlling interests.

Conclusion

CSBS is pleased to support the Board in implementing its authorities under the GENIUS Act. Working together, the Board and states can help establish a regulatory environment for payment stablecoins that is effective, fair, and in alignment with Congressional intent.

Sincerely,

Brandon Milhorn
President and CEO

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[24] *See* CSBS, Money Transmission Modernization Act § 10.01 (2021). *See also*, *e.g.,* N.Y. Comp. Codes R. & Regs. 23 § 200.8: "In determining the minimum amount of capital that must be maintained by a [virtual currency] licensee, the superintendent may consider… the actual and expected volume of the licensee's virtual currency business activity."

[25] *See* Implementation Proposal, *supra* note 2 at 61666 (proposed § 208.113(b)).

[26] *See id.* at 61646 (Footnote 157). *See also id.* at 61648 (Question 247).