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INSIGHT

Stablecoin Legislation: An Overview of the GENIUS Act of 2025 (P.L. 119-27)

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On July 18, 2025, the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) was signed into law as P.L. 119-27. An overview of key policy issues can be found here. The act establishes a regime to regulate U.S. payment stablecoins, as described below.

Requirements for Issuing Payment Stablecoins

The act defines *payment stablecoin* as a digital asset issued for payment or settlement and redeemable at a predetermined fixed amount (e.g., $1). U.S. payment stablecoin issuers (unless falling under the act's exceptions) must be approved by a state or federal regulator, as described below. Issuers are required to hold at least one dollar of permitted reserves for every one dollar of stablecoins issued. The GENIUS Act limits permitted reserves to coins and currency, deposits held at insured banks and credit unions, short-dated Treasury bills, repurchase agreements ("repos") and reverse repos backed by Treasury bills, government money market funds, central bank reserves, and other similar government-issued assets approved by regulators. Issuers may use reserve assets only for certain activities, including to redeem stablecoins and offer them as collateral in repos and reverse repos. The act requires federal and state regulators to issue tailored capital, liquidity, diversification, and risk management rules for federal and state stablecoin issuers, but it exempts stablecoin issuers from the regulatory capital standards applied to traditional banks.

Issuers are required to establish and disclose stablecoin redemption procedures and to issue periodic reports of outstanding stablecoins and reserve composition, which must be certified by executives and "examined" by registered public accounting firms. Issuers with more than $50 billion in stablecoins outstanding are required to submit audited annual financial statements. Issuers are prohibited from paying interest to stablecoin holders, but holders are not defined, and there is no restriction against exchanges paying interest to customers. See CRS In Focus IF13174, *The Stablecoin Yield Debate*.

Issuers are subject to the Bank Secrecy Act, and the Treasury Department's Financial Crimes Enforcement Network (FinCEN) must write tailored anti-money-laundering (AML) rules. The act requires that FinCEN facilitate "novel methods … to detect illicit activity involving digital assets." The GENIUS Act requires issuers to certify that they have implemented AML and sanctions compliance

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programs. The act prohibits anyone who has been convicted of certain financial crimes from being an issuer officer or director.

Stablecoins could be issued by banks and credit unions (through subsidiaries) or nonbanks. Nonbanks are restricted to financial firms or nonpublic nonfinancial firms unless the Treasury Secretary and chairs of the Federal Reserve (Fed) and the Federal Deposit Insurance Corporation (FDIC)—referred to as the Stablecoin Certification Review Committee (SCRC)—unanimously find they do not pose risks to the banking or financial system and will comply with certain requirements. Banks and nonbanks that opt for the federal regime must apply with the relevant federal banking regulator. Applications must be evaluated on whether the stablecoin issuers can meet the baseline requirements described above. An application not acted on within 120 days is deemed approved. Regulators must justify denials and permit applicants to appeal.

The act creates a state regulatory option for nonbank issuers with fewer than $10 billion in outstanding stablecoins—provided the state regulatory regime is "substantially similar" to its federal counterpart as determined by the SCRC.

Federal Regime Supervision and Enforcement

Any insured bank or nonbank issuer that opts for the federal regime or has more than $10 billion in issuance is supervised by the same regulator as that of the bank or credit union—or by the Treasury Department's Office of the Comptroller of the Currency (OCC) in the case of nonbanks—which evaluate issuers' financial conditions, risks to firm and financial system safety and soundness, and risk management systems.

All stablecoin issuers under the federal regime are required to file reports with—and may be subject to exams by—their primary federal regulators.

Regulators are authorized to stop a permitted issuer from issuing stablecoins or to issue other enforcement actions if the regulator were to determine that the issuer violated the requirements of the act or any written condition imposed by the regulator.

State Regime

The act permits an uninsured bank or nonbank issuer with under $10 billion in outstanding stablecoins to opt in to a state regulatory regime and operate nationally. A state issuer that grows above that threshold must transition to the federal regime, which is administered jointly by federal and state regulators unless granted a waiver by the federal regulator.

Supervision and Enforcement

State regulators "have supervisory, examination, and enforcement authority over all" state issuers. State regulators may cede these authorities to the Fed. The act also allows the Fed or OCC to take enforcement actions against state issuers in "unusual and exigent circumstances."

Foreign Issuers

The GENIUS Act establishes requirements for the issuance of payment stablecoins by foreign issuers and the secondary trading of foreign payment stablecoins by digital asset service providers (DASPs; e.g., exchanges) in the United States, subject to certain exemptions and waivers.

Treasury may establish "reciprocal arrangements" with jurisdictions with regulatory regimes "comparable" to those of the United States. DASPs may offer only foreign stablecoins that comply with lawful orders and "any" reciprocal arrangement.

Other Provisions

The act establishes rules for stablecoin asset and reserve custodians, which may be issuers or non-issuers, provided they are regulated by federal or state banking regulators, the Securities and Exchange Commission, or the Commodity Futures Trading Commission. It prohibits custodians from comingling their own funds with customers' funds, with exceptions. GENIUS permits banks to hold stablecoins and reserves in custody, use blockchains, and issue tokenized deposits.

The act grants stablecoin holders priority over all other claims against the issuer in bankruptcy and allows a bankruptcy court to issue automatic stays.

The GENIUS Act clarifies that payment stablecoins are not securities or commodities and are not federally insured.

The law prohibits making the issuance of stablecoins contingent on some other purchase and bars an issuer from using names that create the perception that a stablecoin is issued or guaranteed by the U.S. government.

The GENIUS Act requires that the President, Vice President, Members of Congress, and other federal employees report stablecoin holdings larger than $5,000.

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