

GENIUS Act

The **Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act)** establishes a Federal regulatory framework for payment stablecoins, reinforcing U.S. leadership in digital assets and strengthening the dollar's role as the world's reserve currency. The OCC's final rule implements the requirements of the GENIUS Act, establishing a clear regulatory framework for permitted payment stablecoin issuers (PPSIs) subject to OCC supervision. The rule promotes responsible innovation while maintaining safety and soundness as this emerging industry develops.

1 DEPOSIT FLIGHT

CONCERN: Increased adoption of stablecoins will lead to significant deposit outflows from community banks.

RESPONSE: The OCC faithfully implemented the Act but nonetheless is sensitive to these concerns and is closely monitoring this issue. The extent to which there may be deposit outflows from community banks is unclear. One of the permitted reserve asset types under the GENIUS Act and the OCC's final rule is deposits. Moreover, estimates vary widely and historical data may not necessarily support significant deposit outflow.

2 INTEREST AND YIELD

CONCERN: Stablecoin issuers can indirectly offer interest, yield, or "rewards" that will directly compete with traditional bank deposits.

RESPONSE: The GENIUS Act prohibits any PPSI from paying the holder of any payment stablecoin any form of interest or yield solely in connection with the holding, use, or retention of such payment stablecoin. The OCC has incorporated this prohibition in the final rule and additionally prohibits any PPSI from engaging in any activity that the OCC determines is an evasion of the requirements of section 4 of the GENIUS Act (which contains the requirements for issuing stablecoins, including the interest/yield prohibition). The proposal included a rebuttable presumption for when an arrangement would violate this prohibition. The final rule does not include the rebuttable presumption and instead restates the statutory prohibition. The OCC will closely monitor for compliance with the yield prohibition, including during its review of PPSI applications.

3

UNEVEN REGULATORY TREATMENT

CONCERN: Nonbank stablecoin issuers will not be held to the same stringent regulatory and supervisory requirements as banks, creating an uneven playing field.

RESPONSE: As required by the GENIUS Act, the OCC's final rule imposes requirements that are tailored to the business model and risk profile of permitted payment stablecoin issuers. The final rule generally imposes the same requirements on bank and nonbank issuers, including standard and expanded examination cycles for PPSIs depending on their size and complexity. Like banks, large PPSIs are subject to a full-scope examination once every 12 months. The final rule also allows for an extended examination cycle for certain small issuers. The extended examination cycle for these issuers is 18-24 months, similar to the 18-month examination cycle that applies for certain small banks. The OCC is committed to providing robust supervision of PPSIs as authorized by the GENIUS Act.

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FINANCIAL STABILITY

CONCERN: Rapid stablecoin redemptions and other liquidity pressures could create contagion risks and threaten financial stability, exposing the banking system to additional risks.

RESPONSE: The GENIUS Act and the OCC's implementing regulations directly address U.S. financial stability risks (e.g., contagion) by ensuring that payment stablecoin issuers in the United States are supervised and regulated. Moreover, the OCC will take a risk-based approach to supervision, including of the largest OCC-regulated issuers, and the OCC maintains authorities that expressly address financial stability. The OCC will monitor the growth of this market and the potential for contagion risks and take action as warranted by market conditions.

5

COMPETITIVE PRESSURES

CONCERN: Community banks have fewer resources to develop stablecoin capabilities and will struggle to compete with larger banks and digital asset companies.

RESPONSE: The OCC plans to encourage the development of stablecoin capabilities within community banks and has several provisions within the GENIUS Act or reporting framework that attempt to right-size requirements based on the size of the PPSI. Any community bank interested in becoming a PPSI is encouraged to consider applying to become, or for a subsidiary to become, a PPSI, as applicable. In addition, in recognition of the challenges facing community banks, the OCC has launched a series of initiatives to support a community bank comeback, including by right-sizing regulation and tailoring supervisory activities, to ensure community banks can continue to grow and serve their communities.

6

ILLICIT FINANCE

CONCERN: Stablecoins could facilitate money laundering, sanctions evasion, fraud, and other illicit financial activities.

RESPONSE: All PPSIs will be subject to all Federal laws applicable to a financial institution located in the United States relating to economic sanctions, prevention of money laundering, customer identification, and due diligence. This includes, but is not limited to, the maintenance of an effective anti-money laundering program, monitoring and reporting of any suspicious transaction relevant to a possible violation of law or regulation, and the maintenance of an effective economic sanctions compliance program consistent with Federal law.

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CONSUMER PROTECTIONS

CONCERN: Customers may mistakenly believe stablecoins offer the same protections as bank deposits, including FDIC insurance, and may not fully understand the potential risks.

RESPONSE: It is unlawful to represent that payment stablecoins are backed by the full faith and credit of the United States, guaranteed by the United States Government, or subject to Federal deposit insurance or Federal share insurance. Moreover, the final rule includes disclosure requirements for PPSIs specifically addressing these points.

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CAPITAL REQUIREMENTS

CONCERN: PPSIs are not subject to capital requirements.

RESPONSE: In the GENIUS Act rules, the OCC has issued capital requirements applicable to PPSIs that are tailored to the business model and risk profile of PPSIs. These requirements comprise part of the numerous significant financial requirements for PPSIs intended to ensure that issuers are able to timely redeem their stablecoins and remain solvent.