

CLIENT ALERT

Final Pieces to the Stablecoin Puzzle? Federal Reserve and Treasury Propose GENIUS Act Framework

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On September 29, 2026, the Board of Governors of the Federal Reserve System (the “Board” or “Federal Reserve”) [issued two notices of proposed rulemaking](#) implementing its responsibilities under the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the “GENIUS Act” or the “Act”), which was enacted on July 18, 2025. Separately, on September 30, 2026, the U.S. Department of the Treasury (“Treasury”), on behalf of the Stablecoin Certification Review Committee (the “Committee”),¹ issued an interim final rule that is immediately effective and establishes forms and procedures for reviewing state certifications under GENIUS Act section 4(c) (the “Treasury

¹ The Stablecoin Certification Review Committee is an interagency body established under GENIUS Act section 4(c) to review state regulatory certifications. The Committee consists of the Secretary of the Treasury (or designee), who serves as chair, and representatives from the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The Committee’s primary function is to determine whether state payment stablecoin regulatory regimes are substantially similar to the federal framework, thereby permitting state-qualified issuers to operate under state supervision rather than federal oversight.

IFR”). The Treasury IFR creates a parallel path for qualifying state-regulated issuers and introduces a new implementation regime for states, issuers and federal regulators.

The Federal Reserve’s first proposed rule (the “Substantive NPR”) would establish the comprehensive regulatory framework applicable to Board-supervised permitted payment stablecoin issuers (“PPSIs”), including reserve asset requirements, capital standards, redemption policies, risk management obligations, custodial rules, and an anti-tying prohibition applicable to all PPSIs.² The Federal Reserve’s second proposed rule (the “Applications NPR”) would establish the application process for insured state member banks seeking Board approval for a subsidiary to issue payment stablecoins.³ Industry participants have long awaited the issuance of both rules, considering the Federal Reserve’s sister federal banking agencies—the Office of the Comptroller of the Currency (the “OCC”) and the Federal Deposit Insurance Corporation (the “FDIC”)—issued similar proposed rules much earlier in 2026. Comments on both proposed rules are due 60 days after publication in the Federal Register.

The proposed rules are generally consistent with the GENIUS Act implementing regulations proposed by the OCC⁴ and FDIC⁵ as well as the National Credit Union Administration (the “NCUA”)⁶ and joint rulemakings addressing customer identification and anti-money laundering requirements.⁷ The GENIUS Act becomes effective on the earlier of January 18, 2027, or 120 days after the primary federal payment stablecoin regulators issue final implementing regulations.⁸

This alert identifies key takeaways, summarizes the substantive regulatory framework for Board-supervised PPSIs, discusses the application process for State member banks, addresses the Treasury IFR’s state-certification procedures, and highlights open questions for comment.

² Board of Governors of the Federal Reserve System, *Proposed Regulations for Board-Supervised Permitted Payment Stablecoin Issuers*, 91 Fed. Reg. 61580 (Sept. 29, 2026) (to be codified at 12 C.F.R. pt. 247).

³ Board of Governors of the Federal Reserve System, *Proposed Procedures for Applications by Insured State Member Banks for Subsidiaries to Issue Payment Stablecoins*, 91 Fed. Reg. 61660 (Sept. 29, 2026) (to be codified at 12 C.F.R. pt. 247, subpt. D).

⁴ Office of the Comptroller of the Currency, *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. 10202 (Mar. 2, 2026).

⁵ Federal Deposit Insurance Corporation, *Approval Requirements for Issuance of Payment Stablecoins by Subsidiaries of FDIC-Supervised Insured Depository Institutions*, 90 Fed. Reg. 59409 (Dec. 19, 2025); Federal Deposit Insurance Corporation, *GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions*, 91 Fed. Reg. 18534 (Apr. 10, 2026).

⁶ National Credit Union Administration, *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 National Credit Union Administration*, 91 Fed. Reg. 28956 (May 18, 2026).

⁷ See Financial Crimes Enforcement Network & Office of Foreign Assets Control, *Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Compliance Program Requirements*, 91 Fed. Reg. 18582 (Apr. 10, 2026).

⁸ See GENIUS Act § 3(a), 12 U.S.C. § 5902(a) (providing that the Act takes effect on the earlier of 18 months after enactment or 120 days after the primary Federal payment stablecoin regulators issue final implementing regulations).

Key Takeaways

- **Banking Organizations.** The Federal Reserve's rules will govern payment stablecoin-issuing activities of insured state member bank subsidiaries. Final rules promulgated by the OCC and the FDIC will govern payment stablecoin-issuing activities of national bank subsidiaries and state nonmember bank subsidiaries, respectively. Subsidiaries of all 703 insured state member banks are potential applicants, though the Board expects initial applicants will be larger institutions with compliance infrastructure and capital to support issuance. Bank holding companies may own equity in a PPSI under specified conditions without prior Board approval. State member banks, Edge and agreement corporations, and uninsured state branches and agencies of foreign banks may act as principal or agent with respect to payment stablecoins, pay fees to facilitate customer transactions, and hold limited amounts of nonpayment stablecoin digital assets.
- **Stablecoin Issuers and Prospective PPSIs.** Entities considering forming a Board-supervised PPSI should carefully review the proposed reserve, capital, risk management, and operational requirements. The proposed capital framework addresses credit risk from uninsured deposit claims (two percent), operational risk based on outstanding issuance and revenue, and a de novo capital floor of \$5 million. Under the proposed rules, PPSIs may not pay interest or yield solely for holding payment stablecoins, a controversial issue that remains undecided pending the fate of the Clarity Act, which stalled in the previous session of Congress.
- **Custodians.** Board-supervised entities providing custody or safekeeping services for payment stablecoin reserves, stablecoins used as collateral, or private keys used to issue stablecoins will face new principles-based requirements, including obligations to treat covered assets as customer property, segregate and not commingle assets, and provide regulatory information.
- **State-Qualified PPSIs.** State-qualified PPSIs that are uninsured state-chartered depository institutions with outstanding issuance exceeding \$10 billion must transition to the Board's federal framework within 360 days or cease issuing new payment stablecoins unless a waiver is granted. The Board asserts backup enforcement authority over all state-qualified PPSIs during unusual and exigent circumstances.
- **Comment Period.** The Board seeks public comment on all aspects of both proposed rules. The proposals contain over 250 questions for commenters.
- **State Certification Procedures.** The Treasury IFR, effective immediately, sets the forms and procedures that state regulators must use to certify to the Stablecoin Certification Review Committee that their regimes are substantially similar to the federal framework. The Treasury IFR took the unusual step of forgoing prior notice and comment, although it is accepting comments through November 30, 2026, which it would address by revising forms in the future. A state may meet the January 2028 initial certification deadline with a conditional or incomplete filing, but substantive review begins only once the package is complete.
- **Key Limitations.** The proposed rules do not address the regulation of foreign payment stablecoin issuers (delegated to Treasury) or the regulation of decentralized stablecoin protocols.

Regulatory Framework for Board-Supervised PPSIs

The Substantive NPR would establish a comprehensive framework for Board-supervised PPSIs.⁹ The proposal addresses permissible activities, reserve composition and reporting, redemption, capital, risk management, and compliance. Several requirements are principles-based, but the proposal imposes detailed operational and reporting expectations. Key requirements include:

- *Permissible and Prohibited Activities.* PPSIs may issue and redeem payment stablecoins, manage reserves, provide custodial services, act as principal or agent with respect to payment stablecoins, and pay network fees. PPSIs may not lend or issue stablecoins as loan proceeds, pay interest or yield solely for holding stablecoins, use deceptive names referencing the U.S. Government (although “USD” is permitted), market stablecoins as legal tender or government-backed, or pledge or rehypothecate reserve assets except in limited circumstances.¹⁰
- *Reserve Asset Requirements.* Payment stablecoins must be backed one to one at all times. Permissible reserves include U.S. coins and currency and Federal Reserve balances; insured and uninsured eligible deposit claims; Treasury bills, notes, and bonds with a remaining maturity of 93 days or less; overnight repurchase agreements backed by Treasury securities; overnight reverse repurchase agreements collateralized by Treasuries; eligible government money market funds invested solely in the foregoing; other liquid assets issued or guaranteed by the federal government and approved by the Board; and tokenized versions of certain foregoing assets. The Board generally believes PPSIs should maintain reserves predominantly in U.S. Treasuries and would require principles-based diversification. PPSIs would file monthly composition reports certified by their CEOs and CFOs and examined by a registered public accounting firm. If the one-to-one requirement is breached, the PPSI must notify the Federal Reserve and either restore sufficient backing or liquidate.¹¹
- *Redemption and Fees.* Each PPSI must publicly disclose its redemption policy, provide clear redemption instructions, and redeem payment stablecoins within two business days of a request for redemption. Fee disclosures are required, and changes to fees require seven days’ notice. The minimum redemption amount is one payment stablecoin. The Board, or the applicable state regulator for a state-qualified PPSI, has sole authority to impose discretionary redemption limitations.¹²
- *Capital Requirements.* The proposal uses a standardized approach tailored to PPSIs. Credit risk capital is two percent for uninsured eligible deposit claims and undercollateralized reverse repurchase agreements; non-reserve assets are subject to Part 217 capital rules. Operational risk capital is based on outstanding issuance and non-reserve revenue. De novo PPSIs are subject to a \$5 million capital floor, indexed to nominal gross domestic product. After one quarter of noncompliance, the PPSI must submit a remediation

⁹ See 91 Fed. Reg. 61580 (Sept. 29, 2026) (proposed 12 C.F.R. pt. 247, subpts. A-C, E-F).

¹⁰ proposed 12 C.F.R. § 247.10.

¹¹ See proposed 12 C.F.R. § 247.11.

¹² See proposed 12 C.F.R. § 247.12.

plan; if noncompliance persists for two consecutive quarters, mandatory liquidation applies. Parent banking organizations need not hold additional capital beyond what the PPSI itself maintains.¹³

- *Risk Management.* PPSIs must maintain internal controls and information systems tailored to their size and complexity, with board of directors oversight. The proposal also addresses information technology security, insider and affiliate transaction limitations, and compliance with Bank Secrecy Act, anti-money laundering, and sanctions rules.¹⁴
- *State-Qualified PPSIs.* An uninsured state-chartered depository institution with outstanding issuance exceeding \$10 billion must transition to the federal framework within 360 days or cease issuing new payment stablecoins unless the Board grants a waiver. Additionally, the Board would have backup enforcement authority over all state-qualified PPSIs during unusual and exigent circumstances.¹⁵

The Federal Reserve's Substantive Rule is similar to the OCC and FDIC proposals, with a few notable differences that demonstrate it took a middle ground between the OCC's stricter approach and the FDIC's more discretionary approach. For example, the Board's reserve-diversification standard is principles-based, while the OCC proposed a 40 percent single-institution limit, additional concentration limits, weighted average maturity requirements, and a minimum insured-deposit holding for large PPSIs; and the FDIC proposed only a 40 percent single eligible financial institution limit.¹⁶ In the event of a reserve shortfall, the Board would require notice and restoration of backing or liquidation, while the OCC would mandate liquidation and redemption without redemption fees after 15 consecutive business days of shortfall, and the FDIC would require notice and leave the consequences to FDIC discretion, while asking for comment on whether to mandate automatic liquidation. The capital provisions follow a similar pattern: the Board would require a remediation plan after one quarter of noncompliance and mandatory liquidation after two consecutive quarters, while the OCC would bar new issuance after one quarter and require liquidation after two consecutive quarters, and the FDIC would leave consequences to its directives while asking for comment on whether to require automatic liquidation after two quarters.¹⁷

Custodial Requirements

The Substantive NPR would impose principles-based requirements on Board-supervised entities providing custody or safekeeping services for payment stablecoin reserves, stablecoins used as collateral, or private keys used to issue payment stablecoins. The requirements protect customer property and provide Federal Reserve visibility into assets supporting payment stablecoins.¹⁸

¹³ See proposed 12 C.F.R. §§ 247.15-18.

¹⁴ See proposed 12 C.F.R. § 247.13.

¹⁵ See proposed 12 C.F.R. §§ 247.50-51. Examples of unusual or exigent circumstances could include periods of significant systemic risk within the payments space, or a particular state regulator "going rogue" or otherwise failing to adequately oversee its regulated issuers.

¹⁶ See 91 Fed. Reg. 10202, 10215-18 (Mar. 2, 2026) (OCC proposed reserve requirements); 91 Fed. Reg. 18534, 18548-50 (Apr. 10, 2026) (FDIC proposed reserve requirements).

¹⁷ See 91 Fed. Reg. at 10220-22 (OCC capital and noncompliance provisions); 91 Fed. Reg. at 18551-53 (FDIC capital and noncompliance provisions).

¹⁸ See proposed 12 C.F.R. §§ 247.20-22.

Covered custodians must treat covered assets as customer property, segregate them from proprietary assets and other customers' property, and avoid commingling except as expressly permitted. Controls must address access, records, reconciliation, and regulatory information requests. Market participants using custodians should assess whether existing arrangements satisfy the proposed segregation and information requirements.¹⁹

Application Process Under the Applications NPR

- *Eligible Applicants and Submissions.* Only insured state member banks may apply for Board approval to establish a subsidiary that issues payment stablecoins. An application would include a business plan; financial statements and projections; policies and procedures for reserves, redemptions, risk management, compliance, and operations; the proposed capital structure; biographical and managerial information; and required certifications.²⁰
- *Review and Decision.* The Board has 120 days to act on a substantially complete application. If the Board fails to act within that period, the application is deemed approved. The process provides a defined path for insured State member banks while preserving supervisory review of proposed stablecoin activities.²¹
- *Denial and Appeal.* The Board may deny an application only on the basis that the proposed activities would be unsafe or unsound. An applicant has 30 days to request a hearing after denial, and the Board has 60 days after the hearing process to issue a final determination.²²
- *Pending Applications.* The proposal includes a safe harbor for applications pending when the GENIUS Act becomes effective, subject to specified conditions. Applicants should evaluate the interaction between the proposed process and any applications submitted under existing bank supervisory procedures.²³

The Applications NPR notes that consortium applications raise additional questions, including how responsibility for reserves, compliance, governance, technology, and customer relationships would be allocated among participants. Banks considering a consortium structure should address those matters expressly in the business plan and supporting policies.

The three agencies' application processes largely track Section 5 of the GENIUS Act: 30 days to determine substantial completeness, 120 days to decide a substantially complete application, deemed approval if the regulator fails to act, denial only on unsafe or unsound grounds, 30 days to request a hearing, and a final determination within 60 days after the hearing.²⁴ The FDIC's December 2025 applications proposal would use a letter application, add no section 5(c)(5) factors, rely on existing supervisory information to limit burden, request three-year financial projections, treat an appeal like an appeal of a material supervisory determination, accept a single application for

¹⁹ See *id.*

²⁰ See proposed 12 C.F.R. § 247.30.

²¹ See proposed 12 C.F.R. § 247.31; GENIUS Act § 5(d), 12 U.S.C. § 5904(d).

²² See proposed 12 C.F.R. § 247.32.

²³ See proposed 12 C.F.R. § 247.33.

²⁴ See GENIUS Act § 5, 12 U.S.C. § 5904.

all FDIC-supervised consortium members, and decline to codify procedures for a section 5(f) safe-harbor waiver for pending applications.²⁵ By contrast, the Board's proposal includes a safe-harbor provision for pending applications in proposed § 247.33 and flags open consortium questions rather than proposing a single-application approach.²⁶

Anti-Tying Prohibition

The Substantive NPR would prohibit all PPSIs from conditioning a customer's access to a payment stablecoin, or to related services, on the customer's purchase of another product or service.²⁷ The prohibition prevents PPSIs from using stablecoin issuance or redemption as leverage to obtain unrelated business. PPSIs should review product-bundling, account-opening, reserve-management, distribution, and commercial-partner arrangements for any conditions that could constitute tying. The anti-tying provision would apply regardless of whether the PPSI is affiliated with a banking organization.

Amendments to Banking Regulations

The Applications NPR and the Substantive NPR would amend Regulations H, K, Q, and Y to facilitate banking organization participation in payment stablecoin activities.²⁸ The amendments clarify the authority of state member banks, Edge and agreement corporations, and uninsured state branches and agencies of foreign banks to act as principal or agent with respect to payment stablecoins, pay fees to facilitate customer transactions, and hold limited amounts of nonpayment stablecoin digital assets. Regulation Y would also address when a bank holding company may own equity in a PPSI without prior Board approval.²⁹

Treasury IFR on State Certification Procedures

The Treasury IFR establishes the forms and procedures for state certification under GENIUS Act section 4(c), which permits state-qualified PPSIs with \$10 billion or less in consolidated outstanding issuance to opt for state-only supervision. This development is most relevant for smaller stablecoin issuers considering whether to pursue a state license rather than federal oversight and for state regulators evaluating whether and how quickly to build a GENIUS Act-compliant regime. Key elements include:

- **Immediately Effective.** The Committee characterized the Treasury IFR as a procedural rule under 5 U.S.C. § 553(b)(3)(A), forgoing prior notice and comment, thus making the forms and procedures effective immediately. The Committee nonetheless requests post-effectiveness comments on 39 questions, with comments due November 30, 2026, and states that it intends to revise the forms and procedures after considering comments. Some provisions, including automatic suspension of a state's approval for late recertification, may test this procedural characterization.

²⁵ See Approval Requirements for Issuance of Payment Stablecoins by Subsidiaries of FDIC-Supervised Insured Depository Institutions, 90 Fed. Reg. 59409 (Dec. 19, 2025).

²⁶ See proposed 12 C.F.R. § 247.33; 91 Fed. Reg. 61660, 61672-73 (Sept. 29, 2026).

²⁷ See proposed 12 C.F.R. § 247.40; GENIUS Act § 4(a)(8), 12 U.S.C. § 5903(a)(8).

²⁸ See proposed amendments to 12 C.F.R. pts. 208, 211, 217, 225.

²⁹ See proposed 12 C.F.R. § 225.146.

- **Certification Deadline.** The initial certification is due within one year after the Act's effective date, or by January 18, 2028, assuming a January 18, 2027 effective date. Any certification submitted by that deadline, even if conditional or incomplete, satisfies the filing requirement, responding to concerns from GENIUS Act cosponsors that states would struggle to develop adequate regimes in time. Substantive review and the statutory 30-day decision clock begin only when a complete package is submitted.
- **Recertification and Denials.** States must recertify annually in the calendar quarter of the approval anniversary, reporting any material changes. A denial must include a written explanation and at least 180 days to cure; the cure period extends to two years when the denial stems from a change in federal law or regulation. Treasury acknowledged that a denial could require issuers to relocate to another state or obtain a federal license.
- **Substantial Similarity Benchmarks.** Treasury's April 2026 broad-based principles proposal,³⁰ which would benchmark state regimes largely against the OCC framework but use the Board's rules for tying restrictions, remains unfinalized. States urged Treasury in June 2026 comments to look beyond the OCC standards, particularly because the OCC has not yet finalized its rules. The Board's asserted back-up enforcement authority over state-qualified PPSIs would provide an additional federal supervisory backstop.

Open Questions and Comment Period

The Board seeks comment on numerous aspects of the proposed framework. The most consequential questions include:

- Whether reserve diversification should remain principles-based or use more prescriptive concentration limits, including weighted average maturity limits for Treasury holdings.
- Whether PPSIs should maintain interest rate risk buffers, foreign currency risk buffers, or other safeguards, and what buffer levels would be appropriate for different business models.
- Whether physical currency should be limited as a reserve asset, and how the one-to-one backing requirement should operate during market stress or rapid redemption activity.
- How payment stablecoins held on a parent banking organization's balance sheet should be treated for liquidity purposes, including implications for the liquidity coverage ratio and net stable funding ratio.
- Whether LP tokens or other instruments associated with stablecoin reserves may be securities, and how broadly the rule of construction should permit activities related to payment stablecoins, including activities involving decentralized protocols.

³⁰ See GENIUS Act Broad-Based Principles for Determining Whether a State-Level Regulatory Regime Is Substantially Similar to the Federal Regulatory Framework, 91 Fed. Reg. 16844 (Apr. 3, 2026) (to be codified at 12 C.F.R. pt. 1521).

Federal Reserve Comment Process and Implementation

The Federal Reserve seeks comment on all aspects of its proposed rules and has posed more than 250 questions. Comments are due 60 days after Federal Register publication and should identify Docket No. R-1899, R-1900, or both, as applicable. Based on the September 29, 2026 publication date, comments are due on or about November 30, 2026. Affected firms should consider submitting targeted comments on operational feasibility, implementation timing, and interaction with other agencies' GENIUS Act regulations.

Important Action Items

- *Assess Implementation Readiness.* Prospective PPSIs, banking organizations, custodians, and technology providers should map proposed requirements against existing reserve, redemption, custody, capital, risk, and compliance frameworks.
- *Track the Effective Date.* The GENIUS Act becomes effective on the earlier of January 18, 2027, or 120 days after the primary federal payment stablecoin regulators issue final regulations. Firms should plan for overlapping agency rulemakings and potential transition requirements.
- *Coordinate Across Agencies.* Because the OCC, FDIC, NCUA, Treasury, and other agencies have distinct responsibilities under the Act, firms should assess how the Federal Reserve proposals interact with rules applicable to their charters, business models, and counterparties.
- *Monitor State Certifications.* State-qualified PPSIs should monitor Treasury's notice following Paperwork Reduction Act approval, assess the timing and completeness of their certification packages, and track potential state law or regulatory changes that could affect recertification.

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If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

Willkie has a dedicated team of attorneys with extensive knowledge in all aspects of digital assets and Federal Reserve regulation, including experience engaging with the Federal Reserve on examinations, enforcement, rulemakings, and other advocacy. We would be pleased to assist with your matters.

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