

Issue Update

On July 18, 2025, the President signed into law the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 ([S. 1582, the GENIUS Act of 2025](#)). The GENIUS Act establishes a regulatory framework for payment stablecoins and marks a key milestone in regulating one part of the cryptocurrency market.

Payment stablecoins, which have grown in aggregate value from about \$12 billion in July 2020 to almost \$265 billion as of February 2026, are a form of digital asset that is intended to maintain a 1-to-1 peg with a reference asset by holding reserves as collateral. Stablecoins are unique among digital assets in that they mimic commercial bank money. Potential stablecoin use cases include instant payments, cross-border remittances, financial market settlement, programmable money for smart contracts, access to digital dollars for the unbanked, and digital cash management for businesses. These use cases aim to enhance speed, transparency, and efficiency in financial transactions while maintaining the price stability of fiat currencies.

With the GENIUS Act enacted, an extensive rulemaking effort has begun. The Genius Act includes 16 calls for rulemaking, including on critical topics such as capital, liquidity, and risk management; applicability of existing capital standards; BSA and sanctions treatment; and principles for state-level regulatory regimes; among others. Most of the rulemaking, which is to be completed within one year, is to be carried out by the banking regulators and the Department of the Treasury through a notice and comment process.

In addition, Congress is working on a second piece of crypto legislation, the CLARITY Act. This bill deals with the broader crypto ecosystem, including digital asset exchanges and other intermediaries. Some of these entities offer or plan to offer rewards to payment stablecoin holders, taking advantage of a loophole in the GENIUS Act, which applies a prohibition on interest to payment stablecoin issuers.

Why It Matters

Without strong safeguards, stablecoins risk undermining the banking system by eroding the foundations of credit creation, financial stability, and the separation of banking and commerce. Despite the name, payment stablecoins are likely to function as a store of value, pulling funds away from bank deposits, as well as a means of payments. If stablecoins scale as a store of value, this dynamic could significantly disintermediate banks' core roles in deposit-taking and lending, threatening the broader economy. For this reason, it is essential that digital asset exchanges and other intermediaries be prohibited from paying interest, yield or rewards on payment stablecoin.

Additionally, the entry of nonfinancial firms into stablecoin issuance further weakens the important separation between banking and commerce, a critical safeguard against conflicts of interest and excessive concentration of power. Allowing such firms to issue stablecoins risks draining deposits from community banks and restricting access to credit for households and small businesses.

Recommended Action Items

Urge Congress to close the regulatory gap left open in the GENIUS Act and expand the prohibition on interest and yield payments to include brokers, dealers, exchanges, and affiliates of payment stablecoin issuers. This is a critical step to mitigate the risk of deposit flight, which would limit bank lending to households and small businesses. Such a prohibition is appropriate

as it will ensure that payment stablecoins function as innovative payment instruments without disrupting the broader financial system.

Urge regulators to ensure robust and consistently applied regulation, supervision, and enforcement across all payment stablecoin issuers to prevent charter arbitrage, promote financial stability, and protect consumers. Applying consistent oversight to all stablecoin issuers—based on the principle of “same activity, same risk, same regulation”—is essential to maintaining the integrity of the financial services ecosystem. To prevent regulatory arbitrage and ensure a level playing field, policymakers should focus on:

- Ensuring state and foreign regulatory and enforcement regimes for payment stablecoins issuers are aligned with the federal framework to deter venue shopping.
- Promulgating and applying robust standards that apply to all payment stablecoin issuers.