

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 \$268 billion as of July 2025, 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 will commence. 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.

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.

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 policymakers to strengthen the GENIUS Act to ensure stablecoins function as innovative payment tools without disrupting the broader financial system. Key steps include: (1) broadening the prohibition on interest and yield payments to cover brokers, dealers, exchanges, and affiliates of payment stablecoin issuers; (2) restricting nonbank stablecoin issuers from accessing Federal Reserve master accounts; and (3) closing loopholes to the nonfinancial company prohibition by eliminating the Stablecoin Certification Review Committee approval pathway and applying the prohibition to both public and private firms to prevent conflicts of interest and concentration of economic power.

Urge Congress to repeal Section 16(d) of the GENIUS Act to reaffirm states' ability to protect consumers and ensure a level playing field for all institutions operating within their borders. Preserving the dual banking system and state authority is essential to the safety, soundness, and diversity

of the U.S. financial system. Section 16(d) of the GENIUS Act weakens this balance by allowing uninsured, out-of-state-chartered institutions—like Special Purpose Depository Institutions (SPDIs)—to operate across state lines without host state approval, despite lacking equivalent regulatory oversight.

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.