



The Genius Act: A Summary for Community Banks

July 2025

This publication is for general information purposes and is not intended to be, and should not be taken as, legal advice. The information in this publication is current as of July 2025.



President Trump signed the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the “GENIUS Act”) into law on July 18, 2025. The GENIUS Act is the first federal law enacted to regulate issuers of payment stablecoins. Stablecoins are cryptocurrencies designed to maintain a stable value by being linked to traditional currencies, and payment stablecoins are a specific type of stablecoin defined in the act.

GENIUS Act at a Glance

The GENIUS Act creates a new regulatory framework for payment stablecoins that:

1. Authorizes permitted payment stablecoin issuers to issue payment stablecoins.
2. Creates a framework for permitted payment stablecoin issuers to be approved and regulated at the federal or state level, depending on entity type and amount of payment stablecoins issued.
3. Permits digital asset service providers (e.g., banks, custodians, exchanges, and other intermediaries) to offer custody and safekeeping of payment stablecoins.
4. Confirms banks’ ability to engage in the new law’s contemplated payment stablecoin activities and investments.
5. Applies anti-money laundering and economic sanctions requirements to payment stablecoin issuers.
6. Provides for tailored capital, liquidity, and risk management rules for payment stablecoin issuers.
7. Prohibits deceptive marketing and misrepresentation of government backing of payment stablecoins.
8. Permits foreign stablecoin issuers to offer and sell payment stablecoins in the U.S. if the Treasury secretary approves.
9. Gives stablecoin holders a super-priority over other claimants if there is a stablecoin reserve shortfall in an issuer bankruptcy.



The GENIUS Act: A Deeper Dive and Impact on Community Banks

Under the GENIUS Act, a community bank may, subject to applicable regulatory approval:

- issue its own payment stablecoins,
- act as custodian for a payment stablecoin issuer, and
- engage in all stablecoin-related activities and investments contemplated by the new law.

This summary describes key provisions of the GENIUS Act with a focus on what the new law will mean for community banks after the implementing regulations become effective.

I. **Creates a New Regulatory Framework for Payment Stablecoins**

- A. **Payment stablecoins:** The GENIUS Act covers payment stablecoins. A payment stablecoin is a digital asset that is designed to be used as a means of payment or settlement and the issuer of which:
1. is obligated to redeem, convert, or repurchase for a fixed monetary value, and
 2. represents that it will maintain, or creates the reasonable expectation that it will maintain, a stable value.

The GENIUS Act defines “digital asset” as any digital representation of value that is recorded on a cryptographically secure “distributed ledger.” In turn, a “distributed ledger” is defined as a ledger in which data is shared across a network, creating a public digital ledger, that uses cryptography to maintain the integrity of the data and the ledger.

The term “payment stablecoins” does not include: a digital asset that is a national currency, a deposit (including a deposit recorded using distributed ledger technology), or a security.

- B. **Permitted payment stablecoin issuers:** The GENIUS Act makes it unlawful for any person or entity other than a “permitted payment stablecoin issuer” to issue payment stablecoins in the U.S.
1. A “permitted payment stablecoin issuer” is:
 - a. an entity formed in the U.S. that is a subsidiary of a national or state-chartered bank insured depository institution, such as a community bank, and that has been approved to issue payment stablecoins by the institution’s primary federal regulator,
 - b. a federal-qualified payment stablecoin issuer, or
 - c. a state-qualified payment stablecoin issuer.
 2. The appropriate federal banking agency of a community bank is the regulator of a payment stablecoin issuer that is a subsidiary of the bank. The OCC will regulate nonbank federal-qualified payment stablecoin issuers.

3. A state-qualified payment stablecoin issuer with less than \$10 billion in payment stablecoins outstanding may opt to be regulated only at the state level if federal authorities determine that the appropriate state stablecoin regulator operates a regulatory regime that is “substantially similar” to the federal regime.
4. A state-qualified payment stablecoin issuer that has reached or passed the \$10 billion threshold in payment stablecoins outstanding is subject to federal oversight if it has not received a waiver from the applicable federal regulator (or it is under the threshold but the state stablecoin regulator does not satisfy the “substantially similar” standard). Such an issuer will be supervised jointly by the state payment stablecoin regulator and either the OCC or the appropriate federal banking agency, if the issuer is a state-chartered depository institution.
5. A public company that is not predominantly engaged in one or more “financial activities” (and its wholly or majority-owned subsidiaries or affiliates) may not issue a payment stablecoin unless the public company obtains by unanimous vote of the Stablecoin Certification Review Committee (“SCRC”) a finding that the company (i) will not pose a material risk to the safety and soundness of the U.S. banking system, the financial stability of the U.S., or the Deposit Insurance Fund and (ii) will comply with limits on use of nonpublic personal information obtained from stablecoin transaction data.
 - a. The SCRC is composed of the secretary of the Treasury, the chair of the Board of Governors of the Federal Reserve System, and the chair of the Federal Deposit Insurance Corporation.
 - b. “Financial activities” includes activities of a digital asset service provider, permitted payment stablecoin issuer, and certain other cryptocurrency activities.
6. The act states it does not expand or contract legal eligibility to receive services from or make deposits with a Federal Reserve bank.

II. Authorizes Bank Issuance of Payment Stablecoins

The GENIUS Act permits approved subsidiaries of community banks to issue payment stablecoins in accordance with issuance standards for the composition of reserves, disclosure of the issuer’s redemption policy, and limits on permissible activities.

- A. **Composition of reserves:** The new law requires an issuer to maintain identifiable reserves of U.S. dollars and/or high-quality liquid assets at least equal to the value of the outstanding payment stablecoins (i.e., on at least a one-to-one basis). Reserves may comprise the following:
 1. U.S. coins and currency or money standing to the credit of an account with a Federal Reserve bank;
 2. Demand deposits held at banks and credit unions;
 3. Short-dated Treasury bills, notes, or bonds issued or with a remaining maturity of 93 days or less;
 4. Money received under certain collateralized overnight repurchase agreements and overnight repurchase agreements;
 5. Certain money market funds;

6. Similarly liquid federal government-issued assets approved by the primary federal payment stablecoin regulator in consultation with a state payment stablecoin regulator if applicable; or
7. The tokenized form of many of these assets.

Reserves may not be pledged, rehypothecated, or reused, directly or indirectly, for any other purpose, except to satisfy margin obligations of certain reserves; to satisfy obligations associated with standard custodial services; or to create liquidity to meet reasonable expectations of requests to redeem payment stablecoins.

Issuers must file month-end reports of the composition of reserves that must be examined by a registered public accounting firm. Both the chief executive officer and the chief financial officer of an issuer must submit a certification of accuracy of the month-end report to the federal payment stablecoin regulator or to the state payment stablecoin regulator, as applicable. A false certification is subject to criminal penalties.

An issuer that has more than \$50 billion in consolidated total outstanding issuance and is not a publicly traded company must provide annual audited financial statements that are filed with regulators and are publicly available.

- B. **Disclosure of redemption policy:** The new law requires an issuer to publicly disclose its payment stablecoin redemption policy, establishing clear and conspicuous procedures for timely redemption and disclosing all fees associated with purchasing and redeeming the payment stablecoins in plain language. An issuer must also publish the monthly composition of the issuer's reserves on its website with the total number of outstanding stablecoins it has issued and the amount and composition of the reserves it holds against these stablecoins.
- C. **Limits on activities:** The new law limits an issuer's activities to issuing and redeeming stablecoins; managing the related reserves by purchasing, selling, or holding reserve assets; providing custodial or safekeeping services for payment stablecoins or private keys of payment stablecoins and reserve assets; and undertaking other activities that directly support any of these activities.
- D. **Prohibition on the payment of interest:** The GENIUS Act prohibits permitted payment stablecoin issuers and foreign payment stablecoin issuers from paying interest or yield in any form to the holder of a payment stablecoin in connection with the holding, use, or retention of the payment stablecoin.

III. **Authorizes Bank Custody and Safekeeping of Payment Stablecoins**

A community bank may engage in the business of providing custodial or safekeeping services for payment stablecoin reserves, payment stablecoins used as collateral, or private keys used to issue payment stablecoins, regardless of whether it is a payment stablecoin issuer.

Custodians must separately account for and segregate payment stablecoin reserves, payment stablecoins, cash, and other property of a payment stablecoin issuer. Custodians may not commingle their own assets with customers' assets, with limited exceptions.



A community bank that provides custodial or safekeeping services for payment stablecoin reserves is permitted to hold payment stablecoin reserves in the form of cash on deposit consistent with federal law.

The new law prohibits the federal banking agencies from requiring a community bank or its affiliate to:

- A. include digital assets held in custody that are not owned by the bank as a liability on the bank's balance sheet, or
- B. hold in custody or safekeeping regulatory capital against digital assets and reserves backing those assets, except to mitigate inherent operational risks.

IV. Confirms Community Banks' Ability to Engage in the New Law's Contemplated Payment Stablecoin Activities and Investments

The GENIUS Act does not affect the ability of community banks and other depository institutions or trust companies to engage in activities that are permissible under applicable state and federal laws, including:

- A. accepting deposits and issuing digital assets that represent those deposits,
- B. using a distributed ledger for internal books and records or for intrabank transfers, and
- C. providing custodial services for payment stablecoins, private keys for payment stablecoins, or stablecoin reserves.

The OCC has permitted stablecoin-related activities through a series of public interpretive letters. The GENIUS Act authorizes community banks and subsidiaries of community banks to engage in the payment stablecoin activities and investments contemplated by the new law, including acting as principal or agent for any payment stablecoin and payment of fees to facilitate customer transactions.

The primary federal payment stablecoin regulators must review all existing regulations and guidance to clarify that regulated entities are authorized to engage in these activities and investments.

V. Applies Anti-Money Laundering and Economic Sanctions Requirements to Payment Stablecoin Issuers

The GENIUS Act treats a payment stablecoin issuer as a "financial institution" under the Bank Secrecy Act, thereby subjecting an issuer to anti-money laundering, customer identification and due diligence, and transaction monitoring requirements. A payment stablecoin issuer must file suspicious activity reports, maintain records, and comply with economic sanctions.

The secretary of the Treasury must issue rules tailored to the size and complexity of payment stablecoin issuers.

VI. Provides for Tailored Capital, Liquidity and Risk Management Rules

The GENIUS Act requires the primary federal payment stablecoin regulators or state payment stablecoin regulator to issue regulations implementing capital, liquidity, and risk management requirements tailored to the business model and risk profile of permitted



payment stablecoin issuers. The GENIUS Act also prohibits a payment stablecoin issuer from tying services to a customer on the condition that the customer obtains an additional paid product or service from the issuer or its subsidiaries or agrees not to obtain an additional product or service from a competitor.

VII. Prohibits Deceptive Marketing and Misrepresentation of Government Backing of Payment Stablecoins

The GENIUS Act prohibits use of deceptive names and marketing and makes it unlawful to represent that payment stablecoins are government guaranteed or insured.

VIII. Permits Foreign Stablecoin Issuers to Offer and Sell Payment Stablecoins in the U.S. if the Treasury Secretary Approves

The GENIUS Act permits a stablecoin issued by a foreign issuer to be offered or sold in the U.S. if the issuer meets all the following conditions:

- A. the issuer is subject to a regulatory and supervisory regime that the secretary of the Treasury determines is comparable to the regime established by the GENIUS Act (Comparability standards are not defined in the new law.),
- B. the issuer is registered with the OCC,
- C. the issuer holds reserves in a U.S. bank sufficient to meet the liquidity demands of U.S. customers,
- D. the foreign country in which the issuer is domiciled and regulated is not subject to comprehensive economic sanctions by the U.S. or in a jurisdiction that the secretary has deemed to be of primary money laundering concern, and
- E. the issuer will comply with lawful orders to seize, freeze, burn, or prevent the transfer of outstanding stablecoins.

Foreign payment stablecoin issuers are subject to reporting, supervision, and examination requirements and must consent to U.S. jurisdiction for enforcement of the GENIUS Act.

The new law does not explicitly prohibit a foreign payment stablecoin issuer from establishing a payment stablecoin issuer in the U.S. to issue a payment stablecoin within the U.S.

IX. Gives Stablecoin Holders a Super-Priority Over Other Claimants if There is a Stablecoin Reserve Shortfall in an Issuer Bankruptcy

The GENIUS Act amends U.S. bankruptcy law to allow stablecoin holders to be repaid before all other creditors when reserves fall short in an issuer bankruptcy. In the bankruptcy of a payment stablecoin issuer, reserves are treated as the property of the customer, not as the property of the issuer or a custodian.

X. Is Not Immediately Effective, and Full Implementation Will Take Time

The GENIUS Act becomes effective on the earlier of (i) January 18, 2027, or (ii) the date that is 120 days after the date on which the federal banking regulators issue final implementing regulations.

The new law involves numerous notice-and-comment rulemakings that will present opportunities to offer comments to the regulators.



The regulators must issue most regulations one year after enactment by July 18, 2026, and must submit a report to Congress that describes these regulations 180 days after enactment by January 14, 2026.

Date	Impact
Effective date is the earlier of: <ul style="list-style-type: none">• January 18, 2027, OR• 120 days after federal payment stablecoin regulators issue final rules	<i>Issuance restrictions</i> — Only permitted payment stablecoin issuers are allowed to issue stablecoins in the U.S.
July 18, 2028 (3 years from enactment)	<i>Restrictions on exchanges and other digital asset service providers</i> — Illegal for digital asset service providers to offer or sell a payment stablecoin to a person in the U.S. unless it is issued by a permitted payment stablecoin issuer (subject to limited safe harbor).