

GUSTAVO PESSOA

Proposal and Comment Information

Title: Implementing the Federal Reserve Board's Responsibilities under the GENIUS Act, R-1899

Comment ID: FR-2026-0033-01-C25

Subject

Docket No. R-1899; RIN 7100-AH29

Submitter Information

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Dear Secretary,

Please find attached my comments on selected reserve asset and redemption questions in Docket No. R-1899, RIN 7100-AH29.

The response examines how the proposed monetization and diversification requirements can demonstrate that reserves will produce usable cash within the redemption timetable. It also discusses the distinction between custody dependencies and credit exposures, and the records needed to assess delayed redemption. The recommendations develop safeguards already contained in the proposal and do not seek a broader redesign of the GENIUS Act framework.

I am an economist and professor at Fundação Getulio Vargas in São Paulo, Brazil, responding in an individual academic capacity. My affiliation is provided for identification only. This contribution is intended for the public comment record.

Thank you for considering my comments.

Kind regards,

Gustavo H. R. Pessoa

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Reserve liquidity that reaches stablecoin holders

Comments on selected questions concerning reserve assets and redemption

Gustavo H. R. Pessoa

Economist and Professor at Fundação Getulio Vargas São Paulo

22 October 2026

I am responding in an individual academic capacity. My institutional affiliation is provided for identification only; this contribution does not represent Fundação Getulio Vargas.

I am content for my name and this response to be made available in the public comment record.

Scope and overall position

I support the proposal's connection between identifiable reserves, operational monetization capability and timely redemption. For Board-supervised permitted payment stablecoin issuers, the quality of reserve assets and the ability to deliver their value to holders are complementary requirements. These comments address Questions 46, 52, 65, 68, 70 and 97–101. They concern evidence for implementing the proposed requirements, rather than capital calibration or the treatment of every permissible reserve instrument. [1]

The proposal already provides segregation, diversification, third-party oversight and business continuity safeguards. The recommendations below would make their combined financial effect easier to assess. A reserve can retain its value while the route needed to transfer that value is temporarily unavailable; a useful assessment should show how the issuer handles both conditions.

Question 46 Demonstrating the availability of cash

I support retaining the requirement to demonstrate access and monetization capability in proposed section 247.11(a)(3). A market's depth does not establish that a particular issuer can instruct a transaction, release assets from custody and obtain settled proceeds when needed. Established relationships with brokers are useful evidence, as the proposal recognises. Their value increases when the issuer can explain the authority, documentation and operational arrangements that make those relationships usable. [1]

A proportionate demonstration should follow an asset through the actual sequence: the person authorised to instruct, the custodian's release process, the monetization channel, relevant settlement cutoffs and the account receiving proceeds. The record should distinguish a quoted price, an executed sale and cash available for redemption. It should also identify any instruction that depends on another transaction completing first.

Actual transactions can test parts of this sequence, but a small successful sale cannot establish capacity for every stressed volume. I would combine representative transaction evidence with scenario analysis and documented capacity assumptions. Testing should vary the timing of requests and the availability of a material service provider. The response should record the limitation being tested, what was demonstrated and what remains assumed; it should not infer the frequency of future failures from an exercise.

Questions 52 and 65 Custody and usable diversification

The proposed custody and recordkeeping provisions provide an important foundation. In assessing any additional requirements under Question 52, I would focus on the issuer's ability to establish its entitlement to specific reserve assets and give effective instructions when a custodian's ordinary service is disrupted. Evidence could include reconciled asset records, agreed alternative contacts and a tested

process for obtaining the information needed by a replacement provider. These are practical applications of existing safeguards, not substitutes for segregation or legal enforceability. [1]

Question 65 raises a minimum allocation to unaffiliated third parties. Such an allocation may reduce some dependencies, but affiliation alone does not establish operational independence. Two custodians may use a common settlement agent or depend on the same instruction channel. Conversely, adding a provider can introduce reconciliation and transfer complexity. Before selecting a uniform minimum, I recommend assessing whether the alternative arrangement can perform the required function within the relevant redemption timetable. An unused account or unsigned transfer plan should not be treated as demonstrated backup capacity.

Questions 68 and 70 Measure different forms of concentration

I support examining concentration across an institution's roles, while distinguishing the risks those roles create. An uninsured deposit claim exposes the issuer to the bank as obligor. Securities held in custody involve different legal rights and operational dependencies. Combining their face values into a single measure without explaining those differences could obscure the reason for a limit. The proposal's principles-based diversification approach and Question 68 provide an opportunity to make this distinction explicit. [1]

A useful supervisory view would identify each material counterparty and its group, its roles, the value affected and the time needed to restore access or replace the service. An explicitly hypothetical issuer might use one banking group for deposits, custody, repo execution and outgoing payments. The same disruption could then constrain several channels that appear separate in an asset-class breakdown. The relevant questions are which assets remain accessible, which obligations are exposed to loss, and whether an alternative channel can actually receive and transmit proceeds.

This information should draw on existing risk and third-party records. It need not require disclosure of sensitive account details to the public or mechanically treat every custody asset as unsecured credit to the custodian. It would support decisions about concentration limits and mitigation without implying that a particular percentage has been empirically established as optimal.

Questions 97 98 and 101 Define the redemption sequence

The proposed outer limit is two business days following the date of the requested redemption, subject to the provisions in section 247.12. I recommend retaining a clear connection between that clock and a recorded customer request. Where additional legally required review is necessary, its treatment should be explained through the applicable provisions, rather than making the receipt of a request disappear from the operational record. [1]

For Question 101, the definition should focus on the completed financial performance of redemption, with clarity about the account and settlement arrangement through which value is delivered. Initiating an instruction should be recorded as an intermediate event, not automatically equated with payment having settled. The final explanation should address cases where the issuer has sent a valid payment but settlement or availability is delayed elsewhere, so that responsibility and the evidence required are intelligible.

Customer information should use the same sequence: when a request is received, which stage it has reached and what event constitutes completion. This would develop the proposed redemption-policy disclosures. It would also help holders distinguish an issuer redemption from a secondary-market sale, to which the proposed redemption requirements do not apply.

Questions 99 and 100 Explain delays using contemporaneous evidence

The proposed safe harbors recognise necessary legal reviews and delays outside the issuer's control, contingent on reasonable efforts to resolve the delay. The preamble expressly excludes delay owed

solely to unexpectedly high redemption volumes from the latter category. I support preserving that distinction. A familiar dependency should not become an unexplained external event merely because a service provider performs it. [1]

An issuer relying on a safe harbor should retain the request time, the cause of delay, information available when decisions were made, actions taken and the basis for expecting resolution. Supervisory evaluation could then distinguish an unforeseen disruption from a limitation the issuer had identified but left unaddressed. For a possible extension during stress, evidence about accessible reserves, settlement capacity and unresolved processing constraints would be more informative than a volume threshold alone. This does not establish an automatic extension or displace the Board's proposed discretion.

These records could be incorporated into the existing control and reporting framework. They would make review more consistent while preserving proportionate implementation and the central obligation to maintain reserves capable of supporting redemption.

References

[1] Federal Reserve proposed Regulation UU Docket R1899 September 2026