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Proposal and Comment Information

Title: Application Procedures for Board-Supervised Insured Depository Institutions Seeking Approval for a Subsidiary to Issue Payment Stablecoins, R-1900

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Submitter Information

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Public comment of Pavel Cherkashin, Independent Researcher, on Docket Nos. R-1899 and R-1900 (RIN 7100-AH29), implementing the Board's responsibilities under the GENIUS Act. Full letter text is in the attached file.

October 20, 2026 | VIA ELECTRONIC SUBMISSION Benjamin W. McDonough, Secretary Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue NW Washington, DC 20551

Public Comment: Payment Stablecoin Rules Should Protect Redemption, Preserve Open Rails, and Define Their Terms

Re: Docket Nos. R-1899 and R-1900; RIN 7100-AH29 — Implementing the Federal Reserve Board's Responsibilities Under the GENIUS Act

Dear Secretary McDonough:

I submit this comment in my individual capacity as an independent researcher. I am not a stablecoin issuer, a bank, or a representative of any industry participant. My interest is that of a user of dollar payment rails who has experienced, firsthand, what happens when access to the banking system is withdrawn: over the past several years, my accounts at Chase, Bank of America, U.S. Bank, Silicon Valley Bank, and First Republic were closed, and approximately $30,000 in business funds was not returned. I therefore read proposals about who may issue dollar-denominated payment instruments, and on what terms, with the attention of someone for whom the answer is not theoretical.

I comment on both proposals: the prudential framework (R-1899) and the application process (R-1900). My remarks address only questions the Board has actually posed, and I offer them as considerations, not as legal conclusions.

1. Redemption is the product (R-1899)

For a holder, a payment stablecoin *is* a redemption promise. I support the proposal's requirement that redemption be completed within two business days of a valid request under a publicly disclosed policy, and I respectfully ask the Board to make the redemption right explicit and universal in the final rule — applicable to every holder, without carve-outs that a future issuer could widen. Reserve quality rules protect the promise; the redemption right *is* the promise. I note Governor Barr's remarks on this point and agree with their direction.

2. The yield prohibition needs definitions, not just a presumption (R-1899; Questions 36–39)

I support a de minimis exception to the interest-and-yield prohibition (Question 36). Without one, the prohibition's edge cases — loyalty points, merchant-funded rewards, small promotional credits — will generate more legal uncertainty than consumer protection. On calibration, I leave the precise threshold to the Board but ask that it be set

through an explicit data call on current reward-program economics rather than by assertion, so the exception tracks real-world small-value practice instead of freezing it.

I ask the Board to define "interest," "yield," and "solely" (Question 39). In particular, whether a profit share paid by an issuer to a non-affiliate partner counts as "interest or yield" should not be left to inference, since the proposal expressly places such profit-sharing outside the prohibition's intended reach. A term whose scope is defined by enforcement hindsight is not a workable compliance standard for new entrants.

On Question 38, I urge caution about broadening the prohibition to remuneration paid "directly or indirectly." Breadth without carve-outs risks chilling legitimate product design — including the merchant discounts the proposal rightly excludes — while adding little to the anti-evasion goal, which the proposal already addresses through its general evasion prohibition and case-by-case review.

On Question 37, the rebuttable presumption should come with a clear, written, appealable rebuttal path: published standards of review, a defined timeline for the Board's determination, and a right to appeal an adverse finding. A presumption without a usable exit is a prohibition in practice.

3. "Digital asset service provider" should mean what it says (R-1899; Question 7)

I ask the Board to clarify — as Question 7 contemplates — that only the provision of financial services *directly relating to digital asset issuance* brings an entity within the term "digital asset service provider," and to expressly exclude software and infrastructure providers that merely route, relay, or facilitate payments.

This matters beyond semantics. Payment innovation increasingly happens at the protocol layer: open protocols (for example, HTTP 402-based stablecoin payment flows) let software move dollars without any party taking custody or issuing anything. If a developer whose code relays a stablecoin payment is swept into a service-provider category designed for issuers and custodians, the rule will tax exactly the permissionless innovation the GENIUS Act was written to channel into the regulated perimeter. Define the perimeter by function — issuance and custody — not by proximity to a transaction. To keep the exclusion administrable, I suggest a clear boundary test: the exclusion applies only so long as the provider does not take custody of stablecoins or reserve assets, does not act as principal on the exchange rate, and does not hold user funds — whichever of these it does, it is providing a financial service relating to issuance and falls inside the term.

4. Brands: segregate reserves, don't cap them (R-1899; Question 45)

On Question 45, I favor the segregated-reserves alternative over a single-brand restriction. The Board's concern — uncertainty about reserve assets and contagion/run risk across brands — is real, but it is addressed by legal and reserve segregation (a wholly owned subsidiary with no liabilities of its own), not by limiting the number of brands an issuer may offer. Brand and issuer diversity serves users, including communities poorly served by incumbent banks; a single-brand cap would consolidate issuance among the few entities able to stand up multiple subsidiaries, which is the opposite of a competitive market. The multi-bank joint stablecoin venture announced on September 1, 2026 — twenty-one financial institutions including Bank of America, Citi and Goldman Sachs, targeting a dollar token in the first half of 2027 — shows that multi-brand, multi-participant demand is arriving regardless of this rule; better to channel it through segregation than to push it outside the supervised perimeter.

5. Keep the door open for permissionless networks (R-1900)

I welcome the proposal's position that issuing a stablecoin on an open, public, or decentralized network is not a valid ground for denying an application, and I ask the Board to state it as a durable principle in the final rule rather than as a passing clarification. The 120-day decision clock with deemed approval, the requirement of a specific written explanation with actionable recommendations for denials, and the hearing and re-application rights together form a genuinely applicant-protective process — I support retaining all of them. On the consortium question, I support permitting a single filing to cover participating insured state member banks where the venture is genuinely joint; forcing duplicative filings would be pure deadweight.

6. The AML threshold should not become a debanking tool (R-1899)

I note the proposal would trigger supervisory or enforcement action only for "material or systemic" AML weaknesses, and Governor Barr's question whether that bar is set at the right level. I take no position on the precise calibration, but I ask the Board to clarify in the final rule that whatever threshold it adopts attaches to the weakness itself — and will not serve as a pretext for restricting a compliant issuer's access to banking services. My own experience of losing five banking relationships without explanation is a reminder that supervisory language travels: thresholds written for enforcement discretion are read by compliance departments as risk signals. Clarity here protects both the integrity of the AML regime and the legitimate issuers the GENIUS Act was written to bring inside the perimeter.

7. A research suggestion, consistent with my prior public comment (both dockets)

In my published comment on the SEC's Regulation Crypto Assets proposal (File No. S7-2026-27, Oct 2026), I proposed open, reproducible, simulation-first research

environments for testing disclosures and compliance questions before live deployment. I offer the same suggestion here: the Board could recognize reproducible synthetic stress-testing — reserve-asset runs, redemption surges, operational-failure scenarios — as useful supervisory evidence when evaluating an issuer's risk management. Simulation does not replace supervision; it gives supervisors something concrete to examine before real holders bear the risk.

8. Specific requests for consideration

I respectfully ask the Board to consider: (a) making the two-business-day redemption right explicit and universal in the final rule; (b) adopting a de minimis exception to the yield prohibition and defining "interest," "yield," and "solely" (Questions 36, 39); (c) providing a written, time-bound, appealable rebuttal path for the yield presumption (Question 37); (d) clarifying that only issuance-related financial services trigger "digital asset service provider" status, excluding payment-routing software and infrastructure (Question 7); (e) adopting the segregated-reserves alternative rather than a single-brand cap (Question 45); (f) retaining the R-1900 applicant protections — deemed approval, written denial with actionable recommendations, hearing rights — and permitting single consortium filings; and (g) clarifying that the AML supervisory threshold attaches to the weakness itself and will not serve as a pretext for debanking compliant issuers.

9. Scope and limitations

This comment does not ask the Board to revisit the GENIUS Act's statutory framework, to weaken reserve or capital standards, or to prejudge any application. I recognize that safety-and-soundness supervision, anti-money-laundering obligations, and other federal and state regimes apply according to the facts. My suggestions are offered as a user's perspective on questions the Board has posed, consistent with the scope of these rulemakings.

Thank you for considering this comment.

Respectfully submitted,

/s/ Pavel Cherkashin

Independent Researcher

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Public filing notice: this submission is intended for publication. No confidential information is included.