Date: September 3, 2026

To: Board of Governors

From: Staff[1]

Subject: Notice of proposed rulemaking to implement the GENIUS Act with respect to permitted payment stablecoin issuers and certain other entities that are subject to the Board's jurisdiction

ACTIONS REQUESTED: Approval to publish a notice of proposed rulemaking (the proposal) for public comment in the Federal Register that would implement (i) provisions of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act or Act)[2] with respect to permitted payment stablecoin issuers (PPSIs) and certain other entities that are subject to the Board's jurisdiction and (ii) the GENIUS Act's prohibition on tying applicable to all PPSIs. Staff also requests authority to make technical, non-substantive changes to the attached materials prior to publication in the Federal Register.

EXECUTIVE SUMMARY:

- The proposal would establish a regulatory framework applicable to Board-supervised PPSIs, including:
    - requirements to help ensure that payment stablecoins are fully backed at all times by permissible reserve assets, including principles-based standards for reserve asset diversification;
    - regulatory capital requirements to address certain credit and operational risks of Board-supervised PPSIs;
    - clarifications on permissible and prohibited activities, including clarifications on conducting non-payment stablecoin activities;
    - implementation of the GENIUS Act's prohibition on the payment of yield or interest solely in connection with the holding, use, or retention of payment stablecoins; and
    - risk management standards, including operational and managerial standards, insider and affiliate transaction limitations, information technology and security program

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[2] 12 U.S.C. § 5901 *et seq*.

requirements, and Bank Secrecy Act/anti-money laundering and sanctions compliance.

- The proposal would implement certain GENIUS Act-related rules applicable to other entities, including:
    - rules for Board-supervised entities that provide custodial services for reserve assets backing payment stablecoins and certain other assets;
    - amendments to current rules for banking organizations, including bank capital requirements and permissible activities rules, to facilitate banking organization participation in stablecoin activities; and
    - a regulatory framework to implement the GENIUS Act's tying prohibition, which prevents a PPSI (including a PPSI for which the Board is not the primary regulator) from providing services to a customer on the condition that the customer pay for an additional product or service from the PPSI or its subsidiaries, or agree not to obtain an additional product or service from a competitor of the PPSI.[3]
- The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA) have similar responsibilities under the Act with respect to PPSIs and other institutions under their jurisdiction. The OCC, FDIC, and NCUA have issued notices of proposed rulemaking to implement the GENIUS Act with respect to the PPSIs and other entities that they regulate.[4] The proposal has benefited from cooperation and consultation with staff of those agencies.
- The proposal would provide 60 days for public comment.

DISCUSSION:

A. Background

The GENIUS Act was enacted in July 2025 to provide a legal framework for the regulation of payment stablecoins. The Act establishes specific requirements applicable to PPSIs, which are entities that have been approved by a federal or state regulator to issue payment stablecoins. These requirements include restrictions on the reserve assets that may back payment

[3] The proposal represents one subset of the rules the Board is required to issue under the GENIUS Act. The Board is concurrently being asked to consider a notice of proposed rulemaking that seeks comment on applications procedures applicable to insured state member banks seeking approval for subsidiaries to issue payment stablecoins. The Board previously proposed a joint rule with the other federal banking agencies and U.S. Department of Treasury (Treasury) prescribing minimum requirements for a PPSI's customer identification program, one component of a PPSI's required Bank Secrecy Act compliance program. 91 Fed. Reg. 37234 (June 22, 2026).

[4] *See, e.g.*, 90 Fed. Reg. 59409 (December 19, 2025) (FDIC); 91 Fed. Reg. 6531 (February 12, 2026) (NCUA); 91 Fed. Reg. 10202 (March 2, 2026) (OCC); 91 Fed. Reg. 16844 (April 3, 2026) (U.S. Department of the Treasury (Treasury)); 91 Fed. Reg. 18582 (April 10, 2026) (Office of Foreign Asset Control and Financial Crimes Enforcement Network); 91 Fed. Reg. 18534 (April 10, 2026) (FDIC); 91 Fed. Reg. 28956 (May 18, 2026) (NCUA); 91 Fed. Reg. 37840 (June 24, 2026) (OCC).

stablecoins and prohibitions on PPSIs engaging in certain activities. The Act also requires federal and state regulators to design specific aspects of the regulatory regime applicable to the PPSIs they supervise, including capital requirements and reserve asset diversification standards. In general, the GENIUS Act prohibits any person other than a PPSI from issuing payment stablecoins in the United States. The Act also prohibits digital asset service providers (for example, digital asset exchanges) from offering or selling payment stablecoins to a person in the United States, unless the issuer of the payment stablecoin is a PPSI or a registered foreign payment stablecoin issuer that meets certain requirements. The GENIUS Act's effective date is the earlier of (i) January 18, 2027, or (ii) 120 days after the primary federal payment stablecoin regulators issue any final regulations implementing the Act.

B. Rules Applicable to PPSIs under the Board's Jurisdiction

1. Board-Supervised PPSIs

Certain aspects of the proposal would implement requirements applicable only to Board-supervised PPSIs. Board-supervised PPSIs are either (i) subsidiaries of insured state member banks that have been approved by the Board to issue payment stablecoins, or (ii) state-qualified PPSIs[5] that are uninsured state-chartered depository institutions with $10 billion or more in outstanding payment stablecoins that transition to the Board's regulatory framework under the GENIUS Act. The proposal would, among other things, implement the following requirements:

- **One-to-One Requirement**. Consistent with the GENIUS Act, the proposal would require Board-supervised PPSIs to maintain reserve assets that, in aggregate, at all times have a fair value that equals or exceeds the par value of the Board-supervised PPSI's outstanding payment stablecoins (the "one-to-one requirement").[6] Under the proposal, reserve assets must be segregated from other assets of the Board-supervised PPSI and must include only cash in U.S. dollars, Federal Reserve Bank balances, deposits or insured shares payable upon demand at an insured depository institution, Treasuries with a remaining maturity of 93 days or less, money received under overnight repurchase agreements backed by Treasuries, overnight reverse repurchase agreements with Treasuries as collateral, shares of eligible investment funds that are invested solely in permissible stablecoin reserve assets,

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[5] A state-qualified PPSI is a PPSI approved by a state regulator to issue payment stablecoins.

[6] The proposal would permit Board-supervised PPSIs to hold reserve assets directly or indirectly through a wholly owned subsidiary of the Board-supervised PPSI that has no liabilities of its own, the assets of which are pledged to secure the Board-supervised PPSI's payment stablecoins.

and tokenized versions of some of the foregoing assets. If a Board-supervised PPSI falls below the one-to-one requirement, it must notify the Federal Reserve and then liquidate its reserve assets and redeem outstanding payment stablecoins, unless it has a plan to promptly return to full one-to-one backing and the Board directs the Board-supervised PPSI to proceed with such plan.

- **Reserve Asset Diversification Standards**. Under the proposal, a Board-supervised PPSI would be required to diversify its reserve assets in a manner that ensures that it can comply with the one-to-one requirement at all times, including under stress. A Board-supervised PPSI would be required to mitigate concentration risks that could arise from uninsured eligible deposit claims against one or a small number of insured depository institutions and reverse repurchase transaction exposures to one or a small number of counterparties and their affiliates, excluding designated financial market utilities.
- **Redemption Period**. Under the proposal and consistent with the Act, a Board-supervised PPSI would be required to publicly disclose its redemption policy, which must include a redemption period that does not exceed two business days (unless a specific safe harbor applies). The proposal would clarify that the Board may, in its discretion, extend the period for timely redemption if the Board determines that the Board-supervised PPSI faces a threat to its safety and soundness or poses a threat to financial stability, or if such an extension would otherwise be in the public interest.
- **Permissible and Prohibited Activities**. The proposal would limit a Board-supervised PPSI to engaging in certain activities, including core stablecoin activities (for example, issuing, redeeming, and providing custody for stablecoins) and activities that directly support core stablecoin activities. Board-supervised PPSIs would generally be expected not to incur material liabilities other than payment stablecoin liabilities or maintain significant assets other than reserve assets. The proposal also would implement certain statutory prohibitions, including the prohibition on the payment of interest or yield solely in connection with the holding, use, or retention of a payment stablecoin. Under the proposal, certain types of arrangements involving third parties would be presumed to be prohibited payments of interest or yield by a Board-supervised PPSI, consistent with the approach proposed by the OCC in its rulemaking implementing the GENIUS Act.

- **Capital**. The proposal would impose capital requirements on Board-supervised PPSIs to address their operational risks and, if applicable, the credit risk from holding reserve assets that are uninsured deposit claims and undercollateralized reverse repurchase agreements. The proposal would establish automatic consequences for the failure of a Board-supervised PPSI to comply with minimum capital requirements as of the end of a quarter, including the submission of a plan for returning to compliance with applicable capital requirements. If noncompliance with capital requirements persists as of the end of the next quarter, the proposal would require the Board-supervised PPSI to liquidate all of its reserve assets and redeem outstanding payment stablecoins.
    - *Credit Risk from Uninsured Deposits and Reverse Repurchase Agreements.* The proposal would impose a two percent capital requirement on reserve assets that are uninsured deposit claims and undercollateralized reverse repurchase agreements. The proposal would also require Board-supervised PPSIs to apply a look-through approach for uninsured deposit claims and undercollateralized reverse repurchase agreements held by eligible investment funds.
    - *Operational Risks.* The proposal would impose a simple, standardized approach for calculating operational risk capital requirements for Board-supervised PPSIs. The operational risk requirement would have two components: (i) a capital charge between one and two percent of outstanding payment stablecoins, to capture risks from issuing and redeeming payment stablecoins and managing reserve assets,[7] and (ii) a capital charge based on non-reserve asset revenue, to capture risks from activities that are not captured by outstanding payment stablecoin issuance, including providing stablecoin custody services and holding non-reserve assets.[8] The proposal would also include a loss scalar that would adjust the operational risk capital requirement upward or downward in response to realized operational losses with the goal of incentivizing prudent management of operational risks.

[7] Given operational risk may not increase linearly with a Board-supervised PPSI's growth, this capital charge would be graduated based on the value of stablecoins outstanding: 2.0 percent for the first $20 billion of outstanding stablecoins, 1.5 percent for the next $30 billion, and 1.0 percent for outstanding stablecoins exceeding $50 billion.

[8] This capital charge would be equal to 25 percent of the three-year average of annual non-reserve asset revenues of the Board-supervised PPSI.

    - *Non-Reserve Asset Financial Risks.* The proposal would clarify that with respect to assets other than those held as reserve assets, a Board-supervised PPSI would be subject to the capital requirements applicable to state member banks under the Board's capital rule, 12 CFR part 217.

- **Risk Management**. The proposal would implement risk management standards that would require Board-supervised PPSIs to (i) comply with certain operational and managerial standards, including interest rate risk standards and insider and affiliate transaction restrictions, (ii) implement an information technology and security program, and (iii) comply with applicable Bank Secrecy Act/anti-money laundering and sanctions requirements. The proposal would also clarify that a Board-supervised PPSI that is a subsidiary of a state member bank and that participates in the enterprise-wide risk management framework of its parent banking organization would be "deemed compliant" with the risk management requirements under the proposed framework.
- **Audits, Reports, and Supervision**. The proposal indicates that the Board would generally conduct a full-scope exam of Board-supervised PPSIs at least once during each 12-month period, with the option to extend that period to 18 or 36 months if certain conditions are met. The proposal would also require a Board-supervised PPSI to submit a confidential weekly report with information on issuance and redemptions, trading volume, and reserve assets for each payment stablecoin it issues, as well as quarterly reports of financial condition. Under the proposal, the Board would, consistent with the Act and as a part of its supervision and examination of Board-supervised PPSIs, use existing supervisory reports and information and avoid duplication of examination activities, reporting requirements, and requests for information to the fullest extent possible.
- **Enforcement**. The proposal would revise the rules of practice and procedure for adjudicatory proceedings in 12 CFR part 263 to incorporate the Act's procedural requirements with respect to enforcement actions involving Board-supervised PPSIs. In addition, the proposal would require a deficiency related to Bank Secrecy Act/anti-money laundering compliance to be "significant or systemic" in order for the Board to undertake a

supervisory or enforcement action against a PPSI; this aligns with the supervisory and enforcement standard the Board recently proposed for banks in a separate rulemaking.[9]

2. State-Qualified PPSIs

The proposal would also implement certain of the Board's responsibilities under the GENIUS Act with respect to state-qualified PPSIs.[10]

- **Unusual and Exigent Circumstances Back-Up Enforcement Authority**. The proposal would implement the Board's authority under the GENIUS Act to bring enforcement actions against a state-qualified PPSI or its institution-affiliated parties in "unusual and exigent circumstances."[11] The Board would be able to use such authority when (i) "unusual and exigent circumstances exist," (ii) the state-qualified PPSI or institution-affiliated party is in violation of the GENIUS Act, (iii) continuation of an activity by the state-qualified PPSI constitutes a serious risk to its financial safety, soundness, or stability, and (iv) the Board has provided 48 hours' prior written notice to the applicable state regulator. The proposal also identifies conditions and provides examples of fact patterns under which unusual and exigent circumstances may be present for purposes of this back-up enforcement authority.
- **Transition and Waiver Process for Covered State-Qualified PPSIs**. The proposal provides a process for a state-qualified PPSI that is an uninsured depository institution that has outstanding payment stablecoins of at least $10 billion (a "covered PPSI") to transition to the Board's regulatory framework. The proposal includes notification and information submission requirements for covered PPSIs and would require that a covered PPSI undergo an initial examination within six months after the covered PPSI's notification. The proposal would also set out criteria for the Board to approve a waiver of this transition, which would result in a covered PPSI continuing to be supervised only by its state payment stablecoin regulator.

[9] 91 FR 42363 (July 9, 2026).

[10] The Act also provides for information sharing between the Board and state regulators, and permits Board participation in supervision, examination, and enforcement with respect to state-qualified PPSIs upon mutual agreement with their state regulators. The proposal would indicate that the Board plans to engage with the state payment stablecoin regulators directly on the implementation of these provisions.

[11] The preamble clarifies that the proposal would address "unusual and exigent circumstances" only for the purposes of section 7(e)(1) of the GENIUS Act, and that it would not interpret the meaning of that term under any other provision of law, including section 13(3) of the Federal Reserve Act. 12 U.S.C. § 343(3).

C. Rules Applicable to Board-Supervised Custodians

The proposal would implement certain requirements of the GENIUS Act applicable to Board-supervised entities that provide custody or safekeeping services for stablecoin reserve assets, payment stablecoins used as collateral, the private keys[12] used to issue payment stablecoins, and cash and other property. Institutions affected by these provisions include, among others, state member banks, depository institution holding companies and certain of their subsidiaries, and Board-supervised PPSIs. The proposal would (i) clarify the scope of custodial services to which the proposal would apply; (ii) set minimum principles-based requirements for Board-supervised institutions related to their provision of covered custodial or safekeeping services; and (iii) implement other requirements and exclusions of the Act.

D. Amendments to Rules for Banking Organizations

The proposal would amend certain rules applicable to banking organizations:

- **Capital Rule**. When a PPSI is a consolidated subsidiary of an insured state member bank or of a depository institution holding company, the GENIUS Act prohibits the Board from requiring the insured state member bank or depository institution holding company "to hold, with respect to such [PPSI] and its assets and operations, any amount of regulatory capital in excess of the capital that such [PPSI] is required to maintain under the capital requirements issued pursuant to [the Act]."[13] To satisfy this requirement, the proposal would amend the Board's capital rule, 12 CFR part 217, to specify that a Board-regulated institution that consolidates a PPSI for purposes of the Board-regulated institution's GAAP financial statements would be required to (i) deconsolidate the PPSI from the Board-regulated institution's balance sheet and (ii) deduct the PPSI's total minimum capital requirement from the parent banking organization's common equity tier 1 capital. This approach would prevent the parent banking organization from counting the required capital at the PPSI level for purposes of its own regulatory capital requirements.
- **Permissible Digital Asset-Related Activities and Investments**. The Act provides that entities regulated by the Board are authorized to engage in the payment stablecoin activities and investments that are contemplated by the Act, including acting as a principal or agent

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[12] A "private key" is the unique alphanumeric sequence that allows an individual to transfer a particular unit of a digital asset using a distributed ledger.
[13] 12 U.S.C. § 5903(a)(4)(C)(iii).

with respect to any payment stablecoin and paying fees to facilitate customer transactions. The proposal also would amend the Board's Regulation H, 12 CFR part 208, Regulation K, 12 CFR part 211, and Regulation Y, 12 CFR part 225, to clarify that state member banks, depository institution holding companies, Edge and agreement corporations, and uninsured state branches and agencies of foreign banks may engage in certain activities permitted by the Act.

E. Anti-Tying Rules Applicable to All PPSIs

The Act vests the Board with exclusive authority to issue rules to carry out the Act's tying prohibition for all PPSIs, including those PPSIs not supervised by the Board. Accordingly, consistent with the Act, the proposal would prohibit any PPSI from providing services to a customer on the condition that the customer (i) pay for an additional product or service from the PPSI or its subsidiaries, or (ii) agree not to obtain an additional product or service from a competitor of the PPSI. The proposal clarifies the applicability of this tying prohibition and describes the process for requesting exceptions from the Board.

F. Impact

Implementation of the Board's responsibilities under the GENIUS Act would provide regulatory clarity to potential PPSIs and help to put in place a regulatory infrastructure that ensures the resilience of the stablecoin market. The proposed requirements related to reserve assets, redemption, reporting and disclosure, risk management, and capital would facilitate the safe and sound operation of Board-supervised PPSIs. In addition, these requirements would provide additional protection for the holders of stablecoins issued by Board-supervised PPSIs. The proposal could also lead to increased demand for U.S. financial products.

The proposal would result in modest costs that would be mainly borne by Board-supervised PPSIs and Board-supervised custodians of payment stablecoin reserve assets and related assets. These include compliance costs for disclosure requirements, opportunity costs associated with reserve asset diversification standards, and the costs of the capital requirements.

Overall, the analysis shows that the benefits of the proposal justify the costs.

RECOMMENDATIONS:

For the reasons discussed above, staff recommends that the Board approve the attached draft notice of proposed rulemaking. Staff also recommends that the Board authorize staff to make technical, non-substantive changes to the attached materials prior to publication.

Attachment