BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date:	September 3, 2026
To:	Board of Governors
From:	Staff[1]
Subject:	Notice of proposed rulemaking to establish applications procedures for insured state member banks seeking approval for a subsidiary to issue payment stablecoins

ACTIONS REQUESTED: Staff requests approval to publish in the Federal Register the attached draft notice of proposed rulemaking (proposal) seeking comment on a framework and procedures for insured state member banks to obtain Board approval for a subsidiary to issue payment stablecoins pursuant to the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act).[2] Staff also requests authority to make technical, non-substantive changes to the attached materials prior to publication in the Federal Register.

EXECUTIVE SUMMARY:

- The GENIUS Act requires the Board to promulgate rules for processing applications from insured state member banks (applicants) that seek approval for a subsidiary to issue payment stablecoins. As required by statute, the proposal would establish a tailored application process that prioritizes the safety and soundness of the applicant, including its permitted payment stablecoin issuer (PPSI) subsidiary.
- The proposed rule would describe the scope of the application requirements, set out rules of procedure governing such applications, specify the information that applicants must submit, and establish a process governing appeals, hearings, and final determinations for applications.
- Under the proposed rule, applicants would submit an application by letter that includes a business plan; financial information; relevant policies, procedures, and other documents; documentation relating to the proposed capital structure; biographical reports; and certain required certifications.
- There will be a 60-day comment period following issuance of the proposal.

[1] Randall Guynn, Vaishali Sack, Juan Climent, Patrick Grant, Jeff Ernst, and Alex Noussias (Division of Supervision and Regulation); Mark Van Der Weide, Reena Sahni, Asad Kudiya, Lucy Chang, Kelley O'Mara, Isabel Echarte, and Harrison Clanton (Legal Division).

[2] The Board is concurrently considering a notice of proposed rulemaking to implement its other responsibilities under the GENIUS Act.

DISCUSSION:

A. Background

In 2025, Congress enacted the GENIUS Act, which provides a framework for the federal regulation of payment stablecoins.[3] Under the GENIUS Act, subject to certain exceptions, a person must be a PPSI in order to issue a payment stablecoin in the United States.[4] An insured depository institution may seek approval from its primary Federal regulator for a subsidiary to become a PPSI and issue payment stablecoins.[5] Accordingly, an insured state member bank must obtain the prior approval of the Board to issue payment stablecoins through a subsidiary.

The GENIUS Act requires the Board to promulgate rules for processing applications.[6] The framework established by the Board, including with respect to licensing, must prioritize the safety and soundness of the applicant, including its PPSI subsidiary.[7] The Board is required by statute to evaluate and make a determination on "substantially complete" applications using the factors established by the GENIUS Act, including the ability of the PPSI to meet statutory and regulatory requirements and other factors related to management and safety and soundness.[8] The GENIUS Act also sets out a process by which applicants may appeal a denial through an oral or written hearing.[9]

B. Draft Notice of Proposed Rulemaking

The proposed rule would set out a process for insured state member banks to apply to the Board for prior approval for a subsidiary to issue payment stablecoins. In addition to restating the applications processes and requirements set out in the GENIUS Act, the proposed rule would: (i) describe the scope of the applications requirements; (ii) set out rules of procedure

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[3] *See* Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119–27 (2025) (codified at 12 U.S.C. § 5901 *et seq.*).

[4] 12 U.S.C. § 5902, 5916.

[5] 12 U.S.C. § 5901(23).

[6] 12 U.S.C. § 5904(a)(2)(A). The Board must also notify Congress when it begins processing applications under the GENIUS Act. 12 U.S.C. § 5904(e)(1).

[7] 12 U.S.C. § 5904(a)(1).

[8] 12 U.S.C. § 5904(a)–(c).

[9] 12 U.S.C. § 5904(d)(2).

governing such applications; (iii) specify the information that applicants must submit;[10] and (iv) establish a process governing the appeal, hearings, and final determination for applications. The application process in the proposed rule is designed to enable the Board to effectively evaluate the safety and soundness of the applicant's proposed activities based on the factors set out in the GENIUS Act, while minimizing unnecessary regulatory burden on applicants. Whenever possible, the Board would utilize information already available to it as the primary federal regulator of the applicant rather than requiring submission of duplicative information as part of an application.

In addition to the proposed framework, the proposal would amend the Board's rules of procedure to clarify which procedures apply to GENIUS Act-related filings.

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

[10] The applicant would submit information in the form of an application by letter containing the information listed in the regulation. The Board is not proposing to issue a separate form at this time.