This document has been submitted to the Office of the Federal Register (FR) for publication and is currently pending placement on public display at the FR and publication in the Federal Register. The document may vary slightly from the published document if minor editorial changes have been made during the FR review process. Upon publication in the Federal Register, the regulation can be found at www.federalregister.gov and at www.treasury.gov. The document published in the Federal Register is the official document.

Billing code [4810-AK-P]

DEPARTMENT OF THE TREASURY

12 CFR Chapter XV

[TREAS-DO-XX]

RIN 1505-AC90

GENIUS Act Broad-Based Principles for Determining Whether a State-level Regulatory Regime Is Substantially Similar to the Federal Regulatory Framework

AGENCY: Department of the Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Department of the Treasury (Treasury) proposes to implement section 4(c) of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act by establishing broad-based principles for determining when a State-level regulatory regime is substantially similar to the Federal regulatory framework.

DATES: Comments on the notice of proposed rulemaking (NPRM) must be received on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Written comments may be submitted through one of two methods:

- Electronic Submission: Comments may be submitted electronically through the Federal Government eRulemaking portal at https://www.regulations.gov.

- Mail: Send to U.S. Department of the Treasury, Attention: Office of the General Counsel, 1500 Pennsylvania Avenue NW, Washington, DC 20220.

Given potential delays in the receipt of comments by mail, we strongly encourage comments to be submitted via *https://www.regulations.gov.* All comments should be captioned with "GENIUS Act State Similarity." Please include your name, organizational affiliation, address, email address, and telephone number in your comment. In general, all comments received, including attachments and other supporting materials, will be part of the public record and subject to public disclosure. Do not submit any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

FOR FURTHER INFORMATION CONTACT: Daniel Borman, Brendan Costello, and Carol Rodrigues, Attorney-Advisors, Office of the General Counsel, Treasury, at OGC_GeniusAct@Treasury.gov or 202-622-0480.

SUPPLEMENTARY INFORMATION:

I. Background and Authority

The GENIUS Act, enacted on July 18, 2025, provides a comprehensive framework for the regulation of payment stablecoins.[1] As defined in the GENIUS Act, a payment stablecoin is a digital asset[2] (i) that is, or is designed to be, used as a means of payment or settlement and (ii) the issuer of which is obligated to convert, redeem, or repurchase for a fixed amount of monetary value and represents or creates the reasonable expectation that it will maintain a stable value relative to a fixed amount of monetary value.[3]

[1] Pub. L. 119–27. 12 U.S.C. 5901 *et seq.*

[2] The term "digital asset" means any digital representation of value that is recorded on a cryptographically secured distributed ledger. *Id.* at section 2(6) (12 U.S.C. 5901(6)).

[3] *See* section 2(22) of the GENIUS Act (12 U.S.C. 5901(22)) for the full definition of a payment stablecoin. National currencies, deposits as defined in 12 U.S.C. 1813 (including deposits recorded using distributed ledger technology), and securities are not payment stablecoins.

Under the GENIUS Act, only permitted payment stablecoin issuers may issue a payment stablecoin in the United States, subject to certain exceptions and safe harbors.[4] The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency (OCC) (collectively, the primary Federal payment stablecoin regulators) are generally tasked with establishing a process and framework for the licensing, regulation, examination, and supervision of permitted payment stablecoin issuers.[5]

However, State qualified payment stablecoin issuers (with a consolidated total outstanding issuance of payment stablecoins of no more than $10 billion) generally may opt for State regulation so long as the State-level regulatory regime is substantially similar to the Federal regulatory framework and the Stablecoin Certification Review Committee[6] has approved the State-level regulatory regime upon determining that it meets or exceeds the standards and requirements described in section 4(a) of the GENIUS Act (12 U.S.C. 5903(a)).[7] To effectuate this process, the GENIUS Act tasks Treasury with establishing broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework under the GENIUS Act.[8]

On September 19, 2025, Treasury published in the Federal Register an advance notice of proposed rulemaking (ANPRM) to solicit public comment on questions relating to the

[4] Section 3(a) of the Act (12 U.S.C. 5902(a)).

[5] *See, e.g.*, *id.* at section 4(b); 4(h)(1); 5(a)(1)(B); 5(a)(2); 5(g). (12 U.S.C. 5903(b), (h)(1);12 U.S.C. 5904(a)(1)(B), (a)(2), (g)).

[6] Under the GENIUS Act, the Secretary of the Treasury chairs the Stablecoin Certification Review Committee, an interagency committee that also includes the Chair of the FRB (or the Vice Chair for Supervision, if delegated by the FRB Chair) and the Chair of the FDIC. *See id.* at section 2(27) (12 U.S.C. 5901(27).

[7] *See id.* at section 4(c) (12 U.S.C. 5903(c)).

[8] *Id.* at section 4(c)(2) (12 U.S.C. 5903(c)(2)). The GENIUS Act also vests Treasury with general authority to issue regulations to carry out the GENIUS Act. *Id.* at section 13 (12 U.S.C. 5913).

implementation of the GENIUS Act.[9] In drafting this NPRM, Treasury considered comments received on the ANPRM that were material and relevant to the subjects contained herein.

II. Description of the Proposed Broad-Based Principles

A. Overview of the Rule

Proposed part 1520 sets forth the authority, purpose, and scope of Subchapter C, while proposed part 1521 sets forth the broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework.

Proposed § 1521.1 defines key terms for use in the part and provides that terms are otherwise used consistently with the definitions in the GENIUS Act. In particular, the proposed rule defines the term "Federal regulatory framework" to include both the relevant provisions of the Act as well as a limited scope of interpretations and regulations issued by Federal agencies to implement the Act. As described further below, the proposed rule recognizes that the Act provides States with broad discretion to design many aspects of their own unique regulatory regimes and accordingly provides wide latitude for States to deviate from certain Federal regulations while remaining "substantially similar" to the Federal regulatory framework. Similarly, the term "State-level regulatory regime" is defined broadly to provide States with discretion to design their regimes using a mix of legislation, regulation, and enforceable guidance as they deem appropriate.

Proposed § 1521.2 sets out the overall broad-based principles explaining how the statutory provisions of the Act apply to State qualified payment stablecoin issuers and how State-level regulatory regimes may be considered substantially similar to the Federal regulatory framework. The proposed principles reflect that the Act requires the Stablecoin Certification

[9] 90 FR 45159 (September 19, 2025). Comments on the ANPRM were originally due on October 20, 2025, but Treasury later extended the comment period by 15 days to November 4, 2025. 90 FR 47251 (October 1, 2025).

Review Committee to determine that States "meet or exceed" the core prudential standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)), while providing more flexibility for States to design their own regimes for other topics covered by the Act, such as applications, licensing, supervision, and enforcement.

Within section 4(a) (12 U.S.C. 5903(a)), the Act provides that States retain relatively more discretion in certain areas, such as capital standards (which we refer to as "State-calibrated requirements"), while setting uniform standards that should be consistent across Federal and State regimes in other areas, such as reserve requirements and anti-money laundering and sanctions program requirements (which we refer to as "uniform requirements"). Proposed §§ 1521.3 and 1521.4 provide additional broad-based principles for the uniform requirements and State-calibrated requirements, respectively.

With respect to provisions of the Act other than section 4(a) (12 U.S.C. 5903(a)), proposed § 1521.5 identifies broad-based principles for several sections of the Act that are relevant to State-level regulatory regimes: sections 4(d) (on transition to Federal oversight), 5 (on applications and licensing), 6 (on supervision and enforcement), 10 (on custody), and 11 (on insolvency) (12 U.S.C. 5903(d), 5904, 5905, 5909–5911). Proposed § 1521.6 recognizes that States may impose requirements beyond what is included in the Federal regulatory framework and provides that such additional requirements are permissible so long as they do not conflict with the Act, part 1521, or other Federal law, and they do not modify the State-level regulatory regime such that it can no longer be reasonably viewed as substantially similar to the Federal regulatory framework. Finally, proposed § 1521.7 includes a severability provision.

B. Proposed Part 1520

1. Authority, Purpose, and Scope (Proposed § 1520.1)

Proposed § 1520.1 sets forth the authority, purpose, and scope of proposed Subchapter C. Paragraph (a) describes the authority for Subchapter C, which derives from the Act, including sections 4(c) and 13 (12 U.S.C. 5903(c), 5913). Paragraph (b) states the purpose and scope of Subchapter C, stating that the Act tasks Treasury with issuing regulations concerning payment stablecoins and that Subchapter C contains Treasury's rules implementing certain sections of the Act.

C. Scope, Applicability, and Definitions (Proposed § 1521.1)

Proposed § 1521.1 sets forth the scope and applicability of part 1521. Paragraph (a) provides that part 1521 is issued by Treasury to implement section 4(c) of the GENIUS Act (12 U.S.C. 5903(c)), establishing broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework.

Proposed § 1521.1(b) provides that unless otherwise defined in part 1521, the terms used in this part have the same meaning as in section 2 of the Act (12 U.S.C. 5901). Paragraph (c) defines the following terms for purposes of part 1521.

Act or GENIUS Act. Treasury is proposing to define "Act" or "GENIUS Act" to mean the Guiding and Establishing National Innovation for U.S. Stablecoins Act (12 U.S.C. 5901 et seq.).

Federal regulatory framework. The Act left the term "Federal regulatory framework" undefined. Some commenters to the ANPRM suggested that States should be measured only against the statutory requirements of the Act (*i.e.*, the Federal regulatory framework should be defined to only include the Act's provisions), rather than any implementation of the Act by the

primary Federal payment stablecoin regulators. Others suggested that complete consistency between States and the Federal government, including with respect to Federal agencies' implementing regulations and guidance, was necessary to promote a unified and consistent regulatory framework for payment stablecoins.

Treasury believes that the best interpretation of the term "Federal regulatory framework" is that it encompasses not only the statutory text of the Act but also the core regulatory framework set up by Federal agencies to implement the statute. The plain text of the Act, by referring to the "regulatory" framework, supports this interpretation.[10] Further, for several of the most critical requirements at the heart of the payment stablecoin regulatory framework—such as capital, liquidity, and reserve asset diversification—the statute does not include a specific and detailed framework that States could be measured against.[11] If only the text of the Act itself were relevant, it would be unclear how to evaluate State-level regulatory regimes against the statutory text, potentially rendering the statutory substantial similarity test difficult to administer, and State and Federal standards might starkly deviate from one another, potentially undermining the safety and soundness, financial stability, and consumer protection purposes of the Act.

Other uses of the term "Federal regulatory framework" throughout the Act confirm this interpretation. For example, section 4(d)(1) of the Act (12 U.S.C. 5903(d)(1)), dealing with the transition of State chartered depository institutions to Federal oversight, provides that the institutions must "transition to the Federal regulatory framework of the primary Federal payment

[10] *See e.g., Regulatory*, Black's Law Dictionary (12th ed. 2024) (defining "regulatory" as "[o]f, relating to, or involving one or more regulations <regulatory framework>").

[11] *See, e.g.*, section 4(a)(4)(A)(i) (12 U.S.C. 5903(a)(4)(A)(i)) (providing only that capital requirements be tailored to business models and risk profiles and do not exceed requirements that are sufficient to ensure ongoing operations); section 4(a)(4)(A)(ii) (12 U.S.C. 5903(a)(4)(A)(ii)) (requiring only that liquidity standards be consistent with the list of reserve assets and the one-to-one backing requirement in section 4(a)(1)(A)); section 4(a)(4)(A)(iii) (12 U.S.C. 5903(a)(4)(A)(iii)) (providing only that reserve asset diversification, deposit concentration, and interest rate risk management requirements be tailored to business models and risk profiles of permitted payment stablecoin issuers and do not exceed requirements that are sufficient to ensure ongoing operations).

stablecoin regulator" of the institution. If the "Federal regulatory framework" were referring to only the statute (and not implementing regulations promulgated by the Federal regulators), it would make little sense for Congress to refer to the Federal regulatory framework "of the primary Federal payment stablecoin regulator."

Based on this rationale, for purposes of evaluating a State-level regulatory regime under section 4(c) of the Act (12 U.S.C. 5903(c)), Treasury is proposing to define "Federal regulatory framework" to mean (i) the text of all relevant provisions of the Act, (ii) any interpretations thereof, or regulations thereunder issued by the OCC and published in the *Federal Register* (including those codified in title 12 of the Code of Federal Regulations); (iii) with respect to sections 4(a)(5) and 4(a)(6) of the Act (12 U.S.C. 5903(a)(5)–(6)), any regulations, interpretations, or orders issued by the Department of the Treasury (including those codified in titles 12 or 31 of the Code of Federal Regulations); and (iv) with respect to section 4(a)(8) of the Act (12 U.S.C. 5903(a)(8)), any interpretations, regulations, or orders issued by the FRB (including those codified in title 12 of the Code of Federal Regulations).

Treasury is proposing that, except for sections 4(a)(5), (a)(6), and (a)(8) of the Act (12 U.S.C. 5903(a)(5), (a)(6), and (a)(8)), for purposes of defining the Federal regulatory framework, the OCC's interpretations and regulations published in the *Federal Register* should be the baseline for comparison to a State-level regulatory regime.

Among Federal implementing agencies, there are a number of reasons for the term "Federal regulatory framework" to be based on the OCC. First, outside of section 4(c) (12 U.S.C. 5903(c)), the Act uses the term "Federal regulatory framework" without qualifiers only once—in

section 4(d)(2) of the Act (12 U.S.C. 5903(d)(2)), where it refers to the transition of State qualified payment stablecoin issuers to oversight by the OCC.[12]

A broader examination of the statutory structure strongly supports the use of the OCC's interpretations and regulations for this purpose. Under the GENIUS Act, a State qualified payment stablecoin issuer is an entity legally established under the laws of a State that is not an uninsured national bank chartered by the OCC, a Federal branch, an insured depository institution, or a subsidiary of such national bank, Federal branch, or insured depository institution (section 2(31) (12 U.S.C. 5901(31))). For most States, this most clearly leaves nonbanks as eligible State qualified payment stablecoin issuers; however, in some States, State law may also permit certain uninsured depository institutions or other types of State-chartered entities to issue payment stablecoins. Nonbank entities that opt for a Federal charter are regulated by the OCC.[13] Additionally, absent a waiver, State qualified payment stablecoin issuers that are nonbank entities transition to regulation by the OCC, in coordination with the State payment stablecoin regulator, once the issuer has a payment stablecoin with a consolidated total outstanding issuance of more than $10 billion.[14] Similarly, any State banks that are licensed as State qualified payment stablecoin issuers must, per section 2(31)(B) of the Act (12 U.S.C. 5901(31)(B)), be uninsured State banks, and thus are closely analogous to uninsured national banks—which are also regulated at the Federal level by the OCC. Thus, Treasury is proposing to define the "Federal regulatory framework" for purposes of part 1521 to include any of the OCC's

[12] This suggests that references to "the Federal regulatory framework" without the qualifying phrase "of the primary Federal payment stablecoin regulator" (as the term is used in section 4(d)(1)) is best read to mean the OCC's regulatory framework.

[13] *See* section 2(11)(A) of the Act (12 U.S.C. 5901(11)(A)) (defining "Federal Qualified Payment Stablecoin Issuer" to include "a nonbank entity, other than a State qualified payment stablecoin issuer, approved by the Comptroller, pursuant to section 5, to issue payment stablecoins").

[14] *Id.* at section 4(d)(2)(A) (12 U.S.C. 5903(d)(2)(A)).

interpretations of the Act or regulations issued thereunder that are published in the *Federal Register*, including those codified in title 12 of the Code of Federal Regulations.

Treasury has considered whether the regulatory frameworks promulgated by the other primary Federal payment stablecoin regulators should also be included in the part 1521 definition of "Federal regulatory framework" in addition to or in lieu of the OCC's framework. The FRB, FDIC, and NCUA play a vital role in shaping the Federal framework by issuing interpretations and regulations as well as acting as primary Federal payment stablecoin regulators to supervise the entities under their respective jurisdictions. The definition of "Federal regulatory framework" for the limited purpose of part 1521 does not diminish the crucial role of these regulators in implementing the GENIUS Act. Rather, the definition is intended to ensure that State qualified payment stablecoin issuers can rely on a framework that largely accounts for their entity type and allows for, absent a waiver, a seamless transition to OCC supervision for most State qualified payment stablecoin issuers with an outstanding payment stablecoin issuance that exceeds $10 billion. By contrast, we expect the regulatory frameworks promulgated by the FRB, FDIC, and NCUA to be predominantly calibrated to issuers that are subsidiaries of insured member banks, insured nonmember banks, or insured credit unions, respectively, which are categorically ineligible to be State qualified payment stablecoin issuers under Section 2(31)(B) of the Act (12 U.S.C. 5901(31)(B)).

The proposed definition of "Federal regulatory framework" also includes any regulations, interpretations, or orders issued by Treasury (including those codified in chapters V or X in title 31 of the Code of Federal Regulations) with respect to sections 4(a)(5) and (a)(6) of the Act (12 U.S.C. 5903(a)(5), (a)(6)), which address Bank Secrecy Act (BSA) and sanctions compliance requirements, as well as the technological capabilities to comply with lawful orders. Similarly,

the definition includes interpretations, regulations, or orders issued by the FRB related to the anti-tying provisions in section 4(a)(8) of the Act (12 U.S.C. 5903(a)(8)). Treasury and the FRB are included with respect to these provisions because these Federal agencies, rather than the OCC, will likely issue the primary Federal regulations concerning these sections.

Treasury recognizes that Federal agencies' issuance of interpretations and guidance can be voluminous and take various forms, some of which are more binding, authoritative, or readily available than others. Because the substantial similarity of a State-level regulatory regime is evaluated relative to the Federal regulatory framework, changes to the Federal regulatory framework by Federal agencies may affect how substantial similarity is assessed under Treasury's broad-based principles.[15] Treasury does not believe it would be efficient to require States continuously to search for informal regulatory actions such as FAQs, interpretive letters, and other guidance that are not published in the *Federal Register* and incorporate them into their own State frameworks, nor would such granular mirroring appear to be consistent with the degree of flexibility the statute contemplates that States will have. Therefore, Treasury's proposed definition of "Federal regulatory framework" does not include any guidance or interpretation issued by a primary Federal payment stablecoin regulator that is not published in the *Federal Register*.[16]

[15] The OCC has proposed its GENIUS Act implementing regulations at 91 FR 10202 (March 2, 2026). Changes to the OCC's regulations between proposal and final adoption may affect the Federal regulatory framework against which State-level regulatory regimes are evaluated under part 1521. In that event, Treasury may adjust the final version of part 1521 to ensure that the substantial similarity principles appropriately reflect the Federal regulatory framework. Treasury also may change the substantial similarity principles, including by adjusting the degree to which State-level regulatory regimes must incorporate provisions of the Federal regulatory framework, based on Treasury's determination of, among other things, whether the OCC's final rules are practicable for State implementation. Treasury therefore encourages the public to carefully review and comment on the proposed implementing regulations making up the Federal regulatory framework, including those issued by the OCC or other primary Federal payment stablecoin regulators, with due consideration to potential implications for State-level regulatory regimes.

[16] By contrast, the proposed definition of "Federal regulatory framework" does not limit Treasury or FRB regulations, interpretations, or orders implementing sections 4(a)(5),(a)(6), and (a)(8) of the Act (12 U.S.C. 5903(a)(5), (a)(6), and (a)(8)) to those published in the *Federal Register*. As a longstanding matter of practice, many

State-Calibrated Requirement. Treasury proposes to define "State-calibrated requirement" to mean a requirement under section 4(a) of the Act (12 U.S.C. 5903(a)) that is applicable to a State qualified payment stablecoin issuer and for which the Act grants substantive discretion to a State payment stablecoin regulator to develop the State-level regulatory regime. These requirements are distinct from the uniform requirements, which are defined below. Appendix A to part 1521 lists the State-calibrated requirements.

State-level Regulatory Regime. With respect to a particular State, Treasury proposes to define "State-level regulatory regime" as: (i) all statutes enacted by the State regarding payment stablecoins; (ii) any regulations regarding payment stablecoins or that apply to a State qualified payment stablecoin issuer issued by a State payment stablecoin regulator of the State or another regulator of the State; and (iii) any interpretations thereof or guidance thereunder, only to the extent they are enforceable against State qualified payment stablecoin issuers. Treasury proposes to include relevant State regulations in the definition of "State-level regulatory regime" because this interpretation is supported by the text and purpose of the Act, as described above.[17] Additionally, Treasury is proposing to include related interpretations or guidance that are enforceable against a State qualified payment stablecoin issuer, to provide States with additional flexibility on how to best design and codify their State-level regulatory regime, as discussed below.

---

key documents governing the BSA/anti-money laundering and sanctions frameworks are issued outside of the *Federal Register*. Treasury believes that excluding such documents would effectively nullify BSA/anti-money laundering and sanctions compliance and therefore be in tension with the goal of the Act to subject State qualified payment stablecoin issuers to these critical Federal frameworks. Similarly, the Act expressly contemplates that the FRB may implement the anti-tying provisions via orders in addition to regulations, section (a)(8)(B) of the Act (12 U.S.C. 5903(a)(8)(B), and those orders may not, by practice, be published in the *Federal Register*. As described below, Treasury generally does not expect States to reproduce such BSA/anti-money laundering, sanctions, or anti-tying frameworks in their State-level regulatory regimes, and therefore the burden of expanding the scope of covered documents is more limited, and generally in accord with existing practice.

[17] *See supra* note 10.

Uniform Requirement. Treasury is proposing to define "uniform requirement" as a requirement in section 4(a) of the Act (12 U.S.C. 5903(a)) that is applicable to a State qualified payment stablecoin issuer and for which the Act does not grant substantive discretion to a State payment stablecoin regulator. These requirements are distinct from the State-calibrated requirements, which are discussed above. Appendix A to part 1521 lists the uniform requirements.

Question 1: Are there any additional statutory terms that should be defined in part 1521?

Question 2: Is the proposed definition of Federal regulatory framework appropriately scoped? Should the definition differ for purposes of section 4(a) (12 U.S.C. 5903(a)) and other sections of the Act? Should the definition be limited to the Act's statutory text? Should the definition be based on the regulations and interpretations of more primary Federal payment stablecoin regulators rather than primarily the OCC's (and in limited circumstances, Treasury's and the FRB's)? If so, should States be permitted to choose among the primary Federal payment stablecoin regulators' frameworks for substantial similarity purposes? How would such an approach best achieve the purposes of the Act? Are there discrete sections or subsections of the Act for which another Federal agency's regulations and interpretations should control? Should the definition of "Federal regulatory framework" be expanded to include guidance and other subregulatory documents that are not published in the Federal Register? Should the determination of what is included in the Federal regulatory framework instead be based on whether a document represents final agency action? Is it sufficiently clear what an "interpretation" is under the definition of "Federal regulatory framework"?

Question 3: With respect to sections 4(a)(5) and 4(a)(6) of the Act (12 U.S.C. 5903(a)(5) and (a)(6)), which interpretations, regulations, and orders should be included in the Federal

regulatory framework? Are there other guidance documents or interpretations that should be included?

Question 4: Is it appropriate to distinguish between uniform requirements and State-calibrated requirements of section 4(a) (12 U.S.C. 5903(a)) as proposed? Are there other ways in which the provisions of section 4(a) (12 U.S.C. 5903(a)) should be classified? Should each provision instead be addressed separately in part 1521? How would an alternative approach best achieve the purposes of the Act? Are the provisions of section 4(a) of the Act (12 U.S.C. 5903(a)) correctly classified in Appendix A as uniform requirements or State-calibrated requirements? If not, which requirements should be re-classified?

Question 5: Is the proposed definition of "State-level regulatory regime" appropriately scoped? Should the definition differ for purposes of section 4(a) (12 U.S.C. 5903(a)) and other sections of the Act? Should the definition be limited to the State's statutory text? Should the definition be expanded to include guidance and other such documents that are not published and enforceable, or alternatively should it be narrowed to exclude subregulatory documents? Should part 1521 require that certain aspects of the State-level regulatory regime be codified in statute or regulations, or omit such a requirement to preserve maximum flexibility for the State to structure its regulatory regime?

Question 6: Should the definition of State-level regulatory regime include any statutes, regulations, interpretations, or guidance related to foreign payment stablecoin issuers? If a State statute or regulation includes a prohibition on foreign payment stablecoin issuers from issuing payment stablecoins in the State (or to persons in the State) absent a State license, whether or not such foreign payment stablecoin issuer is registered with the Comptroller, should such a prohibition be considered part of the State-level regulatory regime?

D. Overall Broad-Based Principles (Proposed § 1521.2)

Proposed § 1521.2 sets forth the overall broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework under the Act. These principles provide context for the additional broad-based principles discussed in proposed §§ 1521.3 through 1521.6.

Question 7: What broad-based principles should be considered in determining whether a State-level regulatory regime is "substantially similar" to the Federal regulatory framework? Are the principles in proposed part 1521 appropriate? Should any additional principles be added? Are there any principles that should be excluded from consideration?

1. Application of Statutory Provisions (Proposed § 1521.2(a))

Section 2(23) of the Act (12 U.S.C. 5901(23)) defines "permitted payment stablecoin issuers" to include State qualified payment stablecoin issuers, and therefore statutory requirements that apply to permitted payment stablecoin issuers generally apply as a matter of law to State qualified payment stablecoin issuers, unless the Act provides otherwise.[18] Several comments on the ANPRM align with this reading.

Accordingly, proposed § 1521.2(a) provides that except as otherwise provided in part 1521 or the Act, a State qualified payment stablecoin issuer is subject to all requirements under Federal statutes, including the Act, applicable to permitted payment stablecoin issuers. State-level regulatory regimes may not conflict with any Federal statutory requirements. For example, section 4(a)(1)(C) of the Act (12 U.S.C. 5903(a)(1)(C)) requires certain information to be

[18] While section 4(c) of the Act (12 U.S.C. 5903(c)) provides for the option of State regulation "[n]otwithstanding the Federal regulatory framework established under this Act," the same clause makes clear that the State-level regulatory regime must remain substantially similar to the Federal regulatory framework. Given the overall context of the Act, as described above with respect to the definition of "Federal regulatory framework," the best reading of that clause is that it does not displace the generally applicable statutory requirements, which were carefully crafted by Congress to apply to both State and Federal issuers.

disclosed by a permitted payment stablecoin issuer each month. That disclosure requirement applies to State qualified payment stablecoin issuers to the same extent that it applies to Federal issuers, so State-level regulatory regimes may not purport to permit disclosure less frequently than monthly. Similarly, section 4(a)(9)(A)(i) of the Act (12 U.S.C. 5903(a)(9)(A)(i)) provides that permitted payment stablecoin issuers may not use certain terms in the name of a payment stablecoin. This prohibition applies to State qualified payment stablecoin issuers to the same extent that it applies to Federal issuers, so State-level regulatory regimes may not purport to permit use of those terms.

Additionally, if Congress in the future enacts legislation that applies to permitted payment stablecoin issuers outside of the GENIUS Act, such legislation would also apply to State qualified payment stablecoin issuers unless Congress specifies otherwise, and State-level regulatory regimes may not conflict with those Federal statutory requirements.

Question 8: What, if any, other Federal laws that apply to State qualified payment stablecoin issuers should Treasury consider with respect to the substantial similarity analysis?

Question 9: For substantial similarity purposes, what should be the effect if Congress in the future amends that Act or passes a law that does not amend the Act but nonetheless expressly imposes new requirements on State qualified payment stablecoin issuers or permitted payment stablecoin issuers more generally?

2. "Substantial Similarity" and "Meet or Exceed" the Standards and Requirements Described in Section 4(a) of the Act (Proposed § 1521.2(b)(1))

Proposed § 1521.2(b) establishes overall broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework. The first principle, in proposed § 1521.2(b)(1), is that (i) the State-level regulatory regime must meet or exceed the standards and requirements described in section 4(a) of the Act (12 U.S.C.

5903(a)) such that (A) implementation of each of the uniform requirements in the State-level regulatory regime is consistent with the Federal regulatory framework in all substantive respects, in accordance with the requirements of part 1521; and (B) implementation of each of the State-calibrated requirements is consistent with the applicable provisions of the Act and leads to regulatory outcomes that are at least as stringent and protective as the Federal regulatory framework.

By requiring that a State-level regulatory regime "meet or exceed" the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)) to be considered "substantially similar" to the Federal regulatory framework, Treasury is seeking to clarify how these broad-based principles relate to the Stablecoin Certification Review Committee's review. Specifically, each of sections 4(c)(1), 4(c)(2), 4(c)(4)(A), and 4(c)(4)(B) of the Act (12 U.S.C. 5903(c)(1), (c)(2), (c)(4)(A), and (c)(4)(B)) refer to a State-level regulatory regime being substantially similar to the Federal regulatory framework under the GENIUS Act. However, under section 4(c)(5)(A) (12 U.S.C. 5903(c)(5)(A)), the Stablecoin Certification Review Committee may only approve a State's initial certification or recertification if it "unanimously determines that the State-level regulatory regime meets or exceeds the standards and requirements described in [section 4(a) of the Act]."

Treasury believes that the two terms refer to overlapping but distinct subsets of the Act. While the Stablecoin Certification Review Committee's review for meeting or exceeding Federal standards is limited to only those standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)), a State's certification of substantial similarity is not limited to section 4(a) (12 U.S.C. 5903(a)) and rather must take into account the entire "Federal regulatory framework under this Act." Therefore, Treasury has carefully considered what substantial similarity means

in the context of (i) section 4(a) of the Act (12 U.S.C. 5903(a)), which is the focus of Stablecoin Certification Review Committee review and (ii) relevant provisions of the Act other than section 4(a) (12 U.S.C. 5903(a)). Treasury proposes to interpret "substantial similarity" to mean that the State and Federal frameworks must bear a close resemblance to each other and that the State-level regulatory regime must meet or exceed the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)), including as implemented through the Federal regulatory framework.

With respect to section 4(a) (12 U.S.C. 5903(a)), Treasury believes that "substantial similarity" should be understood in the context of a State-level regulatory regime "meet[ing] or exceed[ing]" the standards and requirements described in section 4(a) (12 U.S.C. 5903(a)). Standing alone, the words "substantial similarity" could be interpreted to imply that the State and Federal frameworks must closely resemble one another, but not necessarily that the Federal standards act as a floor (i.e., State standards could be either more or less stringent than Federal standards to some extent while remaining substantially similar to the Federal standards). However, the statutory context makes that interpretation untenable. Interpreting the statute to allow for a State-level regulatory regime to have requirements that fall below the Federal floor would preserve State flexibility, but would lead to an incoherent regime in which a State could accurately certify that its regulatory regime is "substantially similar" to the Federal regulatory framework but the Stablecoin Certification Review Committee would be required to reject the certification because the State's regulatory regime does not meet or exceed the standards and requirements described in section 4(a) (12 U.S.C. 5903(a)). Therefore, Treasury proposes to interpret the Act to align the standard in State certifications with the Stablecoin Certification Review Committee's standard of review for those certifications. Treasury interprets the phrase

"the standards and requirements described in [section 4(a) of the Act]" to mean the Federal regulatory framework implementing section 4(a) of the Act (12 U.S.C. 5903(a)), and not just the statutory provisions in section 4(a) of the Act (12 U.S.C. 5903(a)).[19]

Requiring State-level regulatory regimes to meet or exceed the standards and requirements described in section 4(a) (12 U.S.C. 5903(a)), but only to be substantially similar to the requirements under other provisions of the Act, is consistent with the statutory context, where the most important, foundational, and prudential requirements (e.g., 1:1 reserves) are contained within section 4(a) (12 U.S.C. 5903(a)).[20]

Accordingly, proposed § 1521.2(b)(1)(i) provides that implementation of each of the uniform requirements in a State-level regulatory regime must be consistent with the Federal regulatory framework in all substantive respects, in accordance with the requirements of part 1521. As noted above, Treasury is proposing to group the standards and requirements described in section 4(a) (12 U.S.C. 5903(a)) into two distinct categories: uniform requirements and State-calibrated requirements. The latter are requirements for which section 4(a) (12 U.S.C. 5903(a)) grants some degree of discretion to a State payment stablecoin regulator to develop the State-

[19] Treasury considered, in the alternative, whether to consider Federal regulations for the purpose of "substantial similarity" but consider only the statutory text when evaluating whether a State-level regulatory regime "meets or exceeds" the standards and requirements described in section 4(a) (12 U.S.C. 5903(a)). However, while such an approach may reflect the requirements expressly imposed by section 4(a), it would not fully take into account the standards and requirements "described in" section 4(a), which include, for example, "regulations implementing capital requirements applicable to permitted payment stablecoin issuers" that must be issued by primary Federal payment stablecoin regulators. Further, Treasury believes that this bifurcated approach would create similar unworkable and absurd inconsistencies between the two standards in section 4(c) (12 U.S.C. 5903(c)) and frustrate the administrability of the State certification review process, for the reasons described above. In addition, the core prudential standards that require looking at the full Federal regulatory framework for any meaningful comparison (e.g., capital and liquidity) are all contained in section 4(a).

[20] One commenter to the ANPRM noted that using "meets or exceeds" as the governing test for section 4(a) (12 U.S.C. 5903(a)) creates a Federal floor and ensures commonality across all U.S. regimes on the prudential elements most correlated with run risk and consumer harm. By contrast, that commenter noted that relying on a more permissible "substantially similar" standard would invite interpretive drift and regulatory arbitrage that at a national and global level can produce significant flight-to-safety dynamics and price dislocations during stress as well as complicate the U.S. government's ability to advocate for a single global standard.

level regulatory regime, and the former are the remaining requirements described in section 4(a) (12 U.S.C. 5903(a)).

To meet or exceed the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)), a State must not interpret the uniform requirements in a way that substantively deviates from their meanings reflected in the Federal regulatory framework. Doing so would both risk an unworkable nationwide regulatory regime where the same statutory terms have been interpreted by regulators in multiple different and potentially inconsistent ways,[21] and would allow for State-level regulatory regimes that do not meet or exceed the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)). For instance, if a State were to interpret section 4(a) (12 U.S.C. 5903(a)) to allow State qualified payment stablecoin issuers to hold as reserves digital assets other than those permitted under section 4(a)(1)(A)(viii) of the Act (12 U.S.C. 5903(a)(1)(A)(viii)), the State-level regulatory regime would likely fail to be consistent with the Federal regulatory framework in all substantive respects, as required in proposed § 1521.2(b)(1)(i). The broad-based principles for uniform requirements and how States can incorporate those principles into their State-level regulatory regimes are discussed at length in section II.E below.

Proposed § 1521.2(b)(1)(ii) requires that in order to meet or exceed the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)), implementation of each of the State-calibrated requirements must also be consistent with the applicable provisions of the Act and lead to regulatory outcomes that are at least as stringent and protective as the Federal regulatory framework. While some provisions of section 4(a) of the Act (12 U.S.C. 5903(a))

[21] *Cf. Loper Bright Enterprises v. Raimondo*, 603 U.S. 369, 400 (2024) ("Courts instead understand that such statutes, no matter how impenetrable, do—in fact, must—have a single, best meaning.").

provide the States with discretion to implement such requirements,[22] that discretion must be considered in connection with the "meets or exceeds" standard and the substantial similarity requirement. Therefore, it is important that a State's implementation of State-calibrated requirements does not deviate from the Federal regulatory framework in a way that would undermine the purpose of such provisions. For example, with respect to the capital requirements in section 4(a)(4) of the Act (12 U.S.C. 5903(a)(4)), it is clear that Congress contemplated that State payment stablecoin regulators would issue their own capital rules. However, if a State were to adopt capital provisions in its State-level regulatory regime by providing that a State qualified payment stablecoin issuer need only hold a *de minimis* amount of capital, regardless of the size or scope of its operations, such an approach would likely not produce regulatory outcomes that are at least as stringent and protective as those under the Federal regulatory framework and would not be substantially similar to the Federal regulatory framework. Proposed § 1521.4, discussed in section II.F below, outlines the broad-based principles for the State-calibrated requirements to provide States with a better understanding of how they can exercise their discretion under the Act while also meeting or exceeding the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)).

Question 10: Should substantial similarity be assessed on a section-by-section basis or a holistic basis? That is, can a State-level regulatory regime be substantially similar to the Federal regulatory framework even if it is not substantially similar with respect to certain discrete requirements under section 4(a) of the Act (12 U.S.C. 5903(a))? Should there be a numerical score or other weighting system to determine substantial similarity?

[22] *Cf. Loper Bright Enterprises v. Raimondo*, 603 U.S. 369, 394 (2024) ("the statute's meaning may well be that the agency is authorized to exercise a degree of discretion").

Question 11: How do the standards of substantial similarity and "meet or exceed" relate to one another? Is it appropriate to conclude, as in the proposed principles, that the State-level regulatory regime is substantially similar to the Federal regulatory framework only if it meets or exceeds the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a))?

Question 12: When evaluating whether a State-level regulatory regime meets or exceeds the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)), is it appropriate to consider the entire Federal regulatory framework relating to section 4(a) of the Act (12 U.S.C. 5903(a)), as proposed, or only the statutory text? If only the statutory text, how will it be determined that a State "meets or exceeds" the standards in section 4(a) (12 U.S.C. 5903(a))?

Question 13: Is the appropriate standard for meeting or exceeding the standards and requirements described in section 4(a) of the Act whether the State-level regulatory regime leads to outcomes that are at least as "stringent and protective" as the Federal regulatory framework? Would a different standard be more appropriate, such as whether the outcomes of the State-level regulatory regime "meet or exceed" the outcomes of the Federal regulatory framework, or whether the regime itself is "functionally equivalent or superior to," the Federal regulatory framework?

Question 14: Is the proposed standard for meeting or exceeding the uniform requirements appropriate and clear? Are there any cases in which a State should be able to adopt a materially different interpretation of a Federal statute or rule than the Federal regulatory framework?

Question 15: Is the proposed standard for meeting or exceeding the State-calibrated requirements appropriate and clear? Does it provide an appropriate amount of discretion to States compared to the uniform provisions?

Question 16: Should substantial similarity be measured based on the Federal regulatory framework in effect at the time of finalization of these broad-based principles, or at the time of each State's certification, or at some other time? What should be the effective date of any final rule for part 1521 relative to final regulations issued as part of the Federal regulatory framework? How should Treasury's principles account for any future changes to the Federal regulatory framework?

Question 17: How should any provisions in the State-level regulatory regime relating to foreign payment stablecoin issuers be compared to the Federal regulatory framework for purposes of substantial similarity?

3. Sections of the Act Other than 4(a) (Proposed § 1521.2(b)(2) and (b)(3))

With respect to sections of the Act other than section 4(a) (12 U.S.C. 5903(a)), "substantial similarity" is not constrained by the requirement that the State standards "meet or exceed" the Federal standards. Treasury believes that additional flexibility for States with respect to those sections would be appropriate and consistent with the Act. Accordingly, proposed § 1521.2(b)(2) provides that in order to be considered substantially similar to the Federal regulatory framework, a State-level regulatory regime must include frameworks addressing other relevant provisions of the Act (transition to Federal oversight, applications and approval, and supervision and enforcement, under sections 4(d), 5, and 6 (12 U.S.C. 5903(d), 5904, and 5905)) that (i) are consistent with those provisions of the Act, and (ii) provide for similar levels of

authority and oversight over payment stablecoin issuers as provided under the Federal regulatory framework.

The Act provides States with discretion to shape frameworks regarding transition to Federal oversight, applications and approval, and supervision and enforcement in ways that may differ from rules adopted by the OCC or the other primary Federal payment stablecoin regulators, as a State payment stablecoin regulator only needs to certify that its regime is substantially similar to the Federal regulatory framework. Nevertheless, to be substantially similar to the Federal regulatory framework, States should provide similar levels of authority and oversight over payment stablecoin issuers as under the Federal regulatory framework. For example, section 6(a)(3) of the Act (12 U.S.C. 5905(a)(3)) grants the primary Federal payment stablecoin regulators examination authority over certain permitted payment stablecoin issuers. Treasury expects that a State-level regulatory regime would confer upon the State payment stablecoin regulator examination authority over State qualified payment stablecoin issuers that is consistent with this authority under the Act. A State-level regulatory regime that nominally provides examination authority but limits its exercise—for example, by permitting examinations only upon the request or consent of a State qualified payment stablecoin issuer—would likely not satisfy proposed § 1521.2(b)(2).

Section 10 of the Act (12 U.S.C. 5909), relating to custody, establishes limitations on who can be a custodian, limits the commingling of certain assets, and provides that certain assets are treated as customer property. Section 11 of the Act (12 U.S.C. 5910 and 5911), relating to insolvency, among other things, establishes priority for claims of a person holding payment stablecoins issued by a permitted payment stablecoin issuer. Proposed § 1521.2(b)(3) requires that a State-level regulatory regime must include frameworks for custody and insolvency that (i)

are consistent with sections 10 and 11 of the Act (12 U.S.C. 5909, 5910, and 5911); and (ii) provide substantially similar protections for payment stablecoin holders as provided for under the Federal regulatory framework.

For example, if a State-level regulatory regime expands potential custodians to unsupervised entities in contravention of section 10(a)(1) of the Act (12 U.S.C. 5909(a)(1)), the regime likely would not comply with proposed § 1521.2(b)(3). Similarly, if a State-level regulatory regime treated payment stablecoin holders as general unsecured creditors in an insolvency proceeding, with no priority over other classes of claim holders, the regime would likely not comply with proposed § 1521.2(b)(3).

Section II.G below, which discusses proposed § 1521.5, provides further detail on how State-level regulatory regimes can include frameworks addressing sections of the Act other than section 4(a) (12 U.S.C. 5903(a)) and be considered substantially similar to the Federal regulatory framework.

Question 18: Which sections of the Act, beyond section 4(a) (12 U.S.C. 5903(a)), are appropriate to consider when evaluating whether a State-level regulatory regime is substantially similar to the Federal regulatory framework? Is the proposed list (sections 4(d), 5, 6, 10, and 11 of the Act (12 U.S.C. 5903(d), 5904, 5905, 5909–5911)) appropriate or under- or over-inclusive? For example, should the Federal regulatory framework as defined in part 1521 reflect any of the following sections of the Act: section 3 (12 U.S.C. 5902) (e.g., regarding issuance, offer, and sale of payment stablecoins or the treatment of payment stablecoins not issued by a permitted payment stablecoin issuer), section 4(e) (12 U.S.C. 5903(e)) (e.g., regarding marketing and misrepresentations), section 4(f) (12 U.S.C. 5903(f)) (regarding officers and directors convicted of certain felonies), sections 8 or 9 (12 U.S.C. 5907 or 5908) (anti-money laundering),

section 16 (12 U.S.C. 5915) (regarding authority of banking institutions), section 17 (amendments to clarify that payment stablecoins are not securities or commodities and that permitted payment stablecoin issuers are not investment companies), section 18 (12 U.S.C. 5916) (regarding certain foreign payment stablecoin issuers), or section 19 (regarding certain disclosure)?

Question 19: With respect to sections of the Act beyond section 4(a) (12 U.S.C. 5903(a)), are the standards required for being substantially similar appropriately scoped and clear? Are the standards set forth related to sections 4(d), 5, and 6 (12 U.S.C. 5903(d), 5904, and 5905) sufficiently clear? If not, how could they be clarified? Similarly, are the standards related to sections 10 and 11 of the Act (12 U.S.C. 5909–5911) sufficiently clear?

Question 20: Are there portions of the Federal regulatory framework that States will be unable to replicate in a substantially similar manner?

4. Deviations in Form or Procedure

Treasury believes that substantial similarity refers to the substantive standards that apply to permitted payment stablecoin issuers. Accordingly, proposed § 1521.2(c) provides that, except as provided in the Act, a State-level regulatory regime may deviate from the Federal regulatory framework with respect to nonsubstantive matters of form or procedure while remaining substantially similar to the Federal regulatory framework. Requiring rigid adherence to Federal procedure or form that is not mandated by the Act would likely cause undue burdens and costs for States and conflict with the statutory purpose of providing an appropriate degree of flexibility to States to implement their own regulatory regimes. For example, to the extent that the OCC requires the reserve composition report mandated by section 4(a)(1)(C) of the Act (12 U.S.C. 5903(a)(1)(C)) to be uploaded in a specified data format, the States may not have the

infrastructure to be able to process such reports in the same or similar format. A State could instead specify a different data format while remaining substantially similar to the Federal regulatory framework.

Question 21: Are there any areas in which the State-level regulatory regime should be required to match the Federal regulatory framework in terms of form or procedure? For example, should the State-level regulatory regime require the monthly composition report of an issuer's reserves in the same format (e.g., including the same required fields) as the OCC or another primary Federal payment stablecoin regulator? Would there be benefits of uniform data reporting standards under Federal and State regulatory requirements?

Question 22: Are the distinctions between the substantive and procedural aspects of the Federal regulatory framework likely to be sufficiently clear in practice? Is there additional guidance that would be appropriate to distinguish between substance and procedure?

E. Broad-Based Principles for Uniform Requirements Under Section 4(a) of the Act (Proposed § 1521.3)

Proposed § 1521.3 establishes the broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework with respect to the uniform requirements under section 4(a) of the Act (12 U.S.C. 5903(a)). First, proposed § 1521.3(a) provides that each of the uniform requirements listed in Appendix A to part 1521 must be fully enforceable by the State payment stablecoin regulators against State qualified payment stablecoin issuers. While the statutory requirements of the Act apply to State qualified payment stablecoin issuers as a matter of law, a State-level regulatory regime that fails to establish how State regulators will enforce the uniform requirements would not be substantially similar to the Federal regulatory framework. Such a lack of enforceability could encourage a race

to the bottom where State qualified payment stablecoin issuers seek to operate in States that signal that they will not enforce the requirements of the Act. In addition, because Treasury proposes to define "State-level regulatory regime" such that it excludes non-enforceable guidance, such guidance would not be considered when determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework.

Proposed § 1521.3(b) provides that the implementation of each of the uniform requirements in the State-level regulatory regime must be consistent with the Federal regulatory framework in all substantive respects, including that (i) there are no material deviations in definitions or interpretations of statutory terms between the Federal regulatory framework and the State-level regulatory regime; and (ii) each of the uniform requirements is applied and construed in the State-level regulatory regime in a manner that does not materially narrow, condition, or limit its scope compared to the Federal regulatory framework.

While the statutory requirements apply as a matter of law, Treasury believes that incorporating relevant requirements into State law will reduce confusion among State qualified payment stablecoin issuers regarding which requirements apply to them. Additionally, Treasury expects that States will incorporate interpretations of the Act and regulations issued by the OCC (or the FRB or Treasury in certain circumstances) that are published in the *Federal Register*. Recognizing the variations in legal authorities and practices among States, and consistent with certain requests submitted in response to the ANPRM, Treasury is not proposing to mandate a single path for States to incorporate the statutory and regulatory requirements and proposes instead to provide States with flexibility to determine the most efficient and effective procedural mechanism for doing so. For example, States may find it more efficient to incorporate the uniform requirements by reference. To the extent States incorporate by reference, it should be

made clear that all of the individual uniform requirements are accounted for. In other words, merely stating generally that the requirements of section 4(a) (12 U.S.C. 5903(a)) of the Act apply, without any reference to the relevant Federal regulations, would likely be insufficient to comply with proposed § 1521.3(b).

Treasury is proposing that the implementation of the uniform requirements must be consistent with the Federal regulatory framework such that there are no material deviations in definitions or interpretations of statutory terms between the Federal regulatory framework and the State-level regulatory regime. For example, if a State-level regulatory regime adds a definition of "rehypothecation" that greatly narrows its meaning compared to the Federal regulatory framework, such that it waters down the prohibition on rehypothecation in section 4(a)(2) of the Act (12 U.S.C. 5903(a)(2)), the State standard would likely not be substantially similar to the Federal regulatory framework.

Similarly, the State-level regulatory regime must not materially narrow, condition, or limit the scope of the uniform requirements compared to the Federal regulatory framework. For example, if a State-level regulatory regime requires State qualified payment stablecoin issuers to publicly disclose the issuer's redemption policy under section 4(a)(1)(B) of the Act (12 U.S.C. 5903(a)(1)(B)), but does not require that the issuer publicly, clearly, and conspicuously disclose in plain language all fees associated with purchasing or redeeming payment stablecoins, the State-level regulatory regime would materially diverge from the Federal regulatory framework.

One important application of this principle is the BSA and sanctions compliance provisions[23] in section 4(a)(5) of the Act (12 U.S.C. 5903(a)(5)) and the provision in section

[23] Since permitted payment stablecoin issuers are limited to "a person formed in the United States," under section 2(23) of the Act (12 U.S.C. 5901(23)), permitted payment stablecoin issuers will be "U.S. persons" under existing OFAC regulations once the Act takes effect and will be subject to the same U.S. sanctions obligations that currently to apply to all other U.S. persons. *See, e.g.,* 31 CFR 510.326; 31 CFR 555.313; 31 CFR 583.314.

4(a)(6)(B) (12 U.S.C. 5903(a)(6)(B)) regarding compliance with lawful orders. Treasury expects to address these provisions in a forthcoming rulemaking, and such rules will necessarily apply to State qualified payment stablecoin issuers. Specifically, for all BSA, anti-money laundering and combating the financing of terrorism, and sanctions program requirements as directed by the GENIUS Act, State qualified payment stablecoin issuers will be subject to Federal regulation by Treasury's Financial Crimes Enforcement Network (FinCEN) or the Office of Foreign Assets Control, respectively.[24] It is therefore particularly important that the State-level regulatory regime avoids deviation and ensures that the requirements are uniform with the Federal requirements for BSA and sanctions program requirements with the exception of technical, non-substantive amendments. Treasury generally expects that States would cross-reference these requirements rather than reproduce them in their own State-level regulatory regime. Treasury does not expect States to reproduce BSA/anti-money laundering or sanctions compliance interpretations or guidance in their State-level regulatory regimes, though States must also enforce these rules. Similarly, because under section 4(a)(8) (12 U.S.C. 5903(a)(8)), the FRB's anti-tying regulations and orders directly apply to all permitted payment stablecoin issuers, including State qualified payment stablecoin issuers, Treasury generally expects that States would cross-reference the FRB's anti-tying requirements, rather than reproduce them in their own State-level regulatory regime, though States must also enforce these rules. If a State or State-level regulatory regime indicates that the State will not enforce federal rules implementing sections 4(a)(5), 4(a)(6)(B), or 4(a)(8) of the Act (12 U.S.C. 5903(a)(5), (a)(6)(B), or (a)(8)) or it

[24] Section 4(a)(5)(A) (12 U.S.C. 5903(a)(5)(A)) of the GENIUS Act subjects permitted payment stablecoin issuers, including State qualified payment stablecoin issuers, to all Federal laws applicable to a financial institution relating to economic sanctions prevention of money laundering, and due diligence. Section 4(a)(5) (12 U.S.C. 5903(a)(5)) also requires Treasury to adopt rules to implement this provision.

otherwise becomes clear that the State is not enforcing such rules, the State-level regulatory regime would not be considered substantially similar to the Federal regulatory framework.[25]

Question 23: Are there any uniform requirements for which the States would need to materially deviate from the definitions or interpretations of the Federal regulatory framework? Similarly, are there any uniform requirements where the State-level regulatory regime would be unworkable unless the States could materially narrow, condition, or limit the scope of certain uniform requirements compared to the Federal regulatory framework?

Question 24: For purposes of section 4(a)(12) of the Act (12 U.S.C. 5903(a)(12)), relating to certain non-financial companies, should the Federal regulatory framework include any interpretive rules issued by the Stablecoin Certification Review Committee pursuant to section 4(a)(12)(D) (12 U.S.C. 5903(a)(12)(D)) or any related procedural rules? Should these principles otherwise make clear that State payment stablecoin regulators must ensure that the Stablecoin Certification Review Committee has made the findings required under section 4(a)(12) (12 U.S.C. 5903(a)(12)) before the State licenses any State qualified payment stablecoin issuers that would be covered under section 4(a)(12) of the Act (12 U.S.C. 5903(a)(12))?

Question 25: Are there challenges to implementing or complying with a BSA and sanctions compliance framework that references Federal requirements as a part of a State-level regulatory regime?

[25] State examiners currently refer violations of the BSA to FinCEN and share examination findings that identify willful violations of the BSA. Nothing in this proposal is intended to interfere with States' ability to refer violations or share examination findings with FinCEN or OFAC regarding potential or identified violations of the BSA or sanctions, respectively.

F. Broad-Based Principles for State-Calibrated Requirements under Section 4(a) of the Act (Proposed § 1521.4)

The State-calibrated requirements are the requirements of the Act that provide discretion to the State payment stablecoin regulator to develop the State-level regulatory regime. However, such discretion is cabined by the requirement that the Stablecoin Certification Review Committee must determine whether the regime meets or exceeds the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)) and that the State-level regulatory regime must be substantially similar to the Federal regulatory framework. Proposed § 1521.4 establishes the broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework with respect to the State-calibrated requirements. Treasury expects that a State's implementation of the State-calibrated requirements will lead to regulatory outcomes that are at least as stringent and protective as the Federal regulatory framework. The principles described below took into consideration the OCC's proposed rule that was published in the *Federal Register* on March 2, 2026.[26] The OCC's rule may change at the final rule stage, and Treasury may modify the final text of part 1521 to account for such changes or may choose not to implement such changes when Treasury finalizes this proposal. Treasury encourages stakeholders to read and comment on the OCC's proposed rule because it will inform the final form of part 1521, including the extent to which State-level regulatory regimes will be responsible for incorporating the uniform and State-calibrated requirements.

Question 26: In general, to the extent the Federal regulatory framework or State-level regulatory regimes include specific consequences associated with specific regulatory

[26] 91 FR 10202.

requirements (e.g., automatic limitations triggered when breaching reserve or capital requirements), are those aspects best viewed as components of the requirements (e.g., reserve requirements or capital) to be evaluated using the standards applicable to requirements under section 4(a) of the Act (12 U.S.C. 5903(a)), or instead as enforcement mechanisms to be evaluated using the standards for supervision and enforcement under section 6 of the Act (12 U.S.C. 5905)?

1. Reserve Assets

Section 4(a)(1)(A) of the Act (12 U.S.C. 5903(a)(1)(A)) outlines the list of permissible reserve assets for permitted payment stablecoin issuers. Under section 4(a)(1)(A)(vii) of the Act (12 U.S.C. 5903(a)(1)(A)(vii)), the primary Federal payment stablecoin regulator, in consultation with the State payment stablecoin regulator, if applicable, may approve "any other similarly liquid Federal Government-issued asset" as a permissible reserve asset for permitted payment stablecoin issuers. The Act's language indicates that the primary Federal payment stablecoin regulators make the final determination of which assets are similarly liquid Federal Government-issued assets and that they may consult the State payment stablecoin regulators, if applicable.

Therefore, proposed § 1521.4(a) provides that a State-level regulatory regime may allow, or may permit the State payment stablecoin regulator to allow, assets not listed in section 4(a)(1)(A) of the Act (12 U.S.C. 5903(a)(1)(A)) only if such assets have been approved by the OCC as similarly liquid Federal Government-issued assets in accordance with section 4(a)(1)(A)(vii) of the Act (12 U.S.C. 5903(a)(1)(A)(vii)). Treasury expects that, when relevant, the OCC will consult with the States when making determinations on which reserve assets would qualify. Since the Act does not contemplate independent State determinations of similarly liquid Federal Government-issued assets, States may only allow additional reserve assets if such assets

have been approved by the OCC. The OCC's approval of such assets may be conveyed through guidance and interpretive materials that are not published in the *Federal Register*; to the extent such materials are current, States may rely on them in determining which assets the OCC has approved under section 4(a)(1)(A)(vii) of the Act (12 U.S.C. 5903(a)(1)(A)(vii)). For the avoidance of doubt, a State may also choose not to allow such a similarly liquid Federal Government-issued asset allowed by the OCC.

Question 27: Should States be permitted to allow a reserve asset that has been approved by a primary Federal payment stablecoin regulator other than the OCC?

Question 28: Should States be permitted to narrow the set of permissible reserve assets for State qualified payment stablecoin issuers?

Question 29: Should States be permitted to allow a reserve asset that has not been approved by any primary Federal payment stablecoin regulator?

Question 30: Should States be required to allow, for their State qualified payment stablecoin issuers, a reserve asset that has been approved by the OCC?

2. Redemption

Section 4(a)(1)(B)(i) of the Act (12 U.S.C. 5903(a)(1)(B)(i)) provides that permitted payment stablecoin issuers shall publicly disclose the issuer's redemption policy, which "shall establish clear and conspicuous procedures for timely redemption … provided that any discretionary limitations on timely redemptions can only be imposed by a State qualified payment stablecoin regulator, the [FDIC], the [OCC], or the [FRB], consistent with section 7." Treasury interprets this provision as allowing a State payment stablecoin regulator to set its own discretionary limitations on timely redemption. Specifically, proposed § 1521.4(b)(1) states that the State-level regulatory regime may set, or may permit the State payment stablecoin regulator

to set, discretionary limitations on timely redemptions in accordance with section 4(a)(1)(B)(i) of the Act (12 U.S.C. 5903(a)(1)(B)(i)), provided that those limitations are (i) appropriately disclosed by the State qualified payment stablecoin issuer and (ii) consistent with section 7 of the Act (12 U.S.C. 5906).

A State-level regulatory regime might describe only the general circumstances under which a State payment stablecoin regulator may impose such limitations. For example, a State-level regulatory regime could provide that a State payment stablecoin regulator may impose a temporary limitation on timely redemptions in the event of a technological disruption preventing the State qualified payment stablecoin issuer from effectuating redemptions. If a discretionary limitation is included in the State-level regulatory regime, proposed § 1521.4(b)(1) would require the State or the State payment stablecoin regulator to ensure that the State qualified payment stablecoin issuer clearly discloses the possibility of such a limitation.

Additionally, the text of the Act makes clear that any discretionary limitations on timely redemption imposed must be consistent with section 7 (12 U.S.C. 5906). Accordingly, such limitations may not interfere with, restrict, or otherwise impair the ability of the FRB or the OCC, pursuant to their respective statutory authorities, to take appropriate action with respect to a State qualified payment stablecoin issuer in the event of unusual or exigent circumstances. Treasury notes that section 7(a) of the Act (12 U.S.C. 5906(a)) provides State payment stablecoin regulators with supervisory, examination, and enforcement authority over all State qualified payment stablecoin issuers of such State. Accordingly, a State exercising its authority over State qualified payment stablecoin issuers consistent with section 7(a) of the Act (12 U.S.C. 5906(a)) is not interfering with, restricting, or otherwise impairing the ability of the FRB or the

OCC to exercise their enforcement authority under unusual and exigent circumstances pursuant to section 7(e) of the Act (12 U.S.C. 5906(e)).

Question 31: Should States be required to incorporate the OCC's proposed interpretation of timely redemption, which the OCC has proposed may not exceed two business days following the date of requested redemption? Should the States also be required to incorporate the OCC's proposed provision that would extend timely redemption if redemption demands exceed a certain threshold?

Question 32: Should State-level regulatory regimes be required to include the same information the OCC's proposal requires for redemption disclosures, including the name of the permitted payment stablecoin issuer and a link to the monthly composition report of the issuer's reserves? Should other specific information requirements be mandated?

3. Rehypothecation

Section 4(a)(2) of the Act (12 U.S.C. 5903(a)(2)) prohibits permitted payment stablecoin issuers from pledging, rehypothecating, or reusing reserve assets, with limited exceptions. One such exception, under section 4(a)(2)(C) of the Act (12 U.S.C. 5903(a)(2)(C)), provides that this prohibition does not apply if the rehypothecation of the reserve asset is for the purpose of creating liquidity to meet reasonable expectations of requests to redeem payment stablecoins, such that reserves in the form of Treasury bills may be sold as purchased securities for repurchase agreements, provided that either (i) the repurchase agreements are cleared by a clearing agency registered with the Securities and Exchange Commission; or (ii) the permitted payment stablecoin issuer receives the prior approval of its primary Federal payment stablecoin regulator or State payment stablecoin regulator, as applicable.

Proposed § 1521.4(c)(1) provides that the State-level regulatory regime must prohibit rehypothecation in accordance with section 4(a)(2) of the Act (12 U.S.C. 5903(a)(2)) and consistent with any prohibition in the Federal regulatory framework. Since the Act does not provide the States with discretion for this prohibition, the State-level regulatory regime must be consistent and not substantively deviate from the Act.

With respect to the exception in section 4(a)(2)(C)(ii) of the Act (12 U.S.C. 5903(a)(2)(C)(ii)), the OCC has proposed to deem any repurchase agreement as approved under section 4(a)(2)(C) of the Act (12 U.S.C. 5903(a)(2)(C)), provided that the Treasury bills sold as purchased securities have a maturity date of 93 days or less and the maturity of the repurchase agreement is overnight.[27] Treasury reviewed the reasoning contained in the OCC's proposal carefully and determined that it agreed with the OCC's assessment that such pre-approval is consistent with the Act and will enhance the ability of issuers to obtain liquidity quickly and facilitate the timely redemption of payment stablecoins. Accordingly, proposed § 1521.4(c)(2) similarly provides that the State-level regulatory regime may pre-approve, or may permit a State payment stablecoin regulator to pre-approve, the use of repurchase agreements under section 4(a)(2)(C)(ii) of the Act (12 U.S.C. 5903(a)(2)(C)(ii)) consistent with the Federal regulatory framework. Recognizing that the Act provides discretion to State qualified payment stablecoin issuers to determine whether to approve such repurchase agreements, a State-level regulatory regime need not provide for the pre-approval of such repurchase agreements. States may also develop their own pre-approval process, so long as it is consistent with the conditions under the Act.

[27] 91 FR 10202, 10213 (March 2, 2026).

Question 33: Should States be allowed to pre-approve the use of repurchase agreements under section 4(a)(2)(C)(ii) (12 U.S.C. 5903(a)(2)(C)(ii))? Should States be required to preapprove such repurchase agreements, rather than having the option to approve them?

Question 34: Should States be required to substantively adopt any OCC interpretations of or limitations on the rehypothecation provision?

4. Certifications Related to Monthly Report

Under section 4(a)(3)(B) of the Act (12 U.S.C. 5903(a)(3)(B)), the Chief Executive Officer and Chief Financial Officer of a permitted payment stablecoin issuer are required to submit a monthly certification as to the accuracy of the monthly report on the composition of its reserves to, as applicable, its primary Federal payment stablecoin regulator or State payment stablecoin regulator. Proposed § 1521.4(d) provides that a State-level regulatory regime must require and accept monthly certifications from State qualified payment stablecoin issuers in accordance with section 4(a)(3) of the Act (12 U.S.C. 5903(a)(3)) as to the accuracy of the monthly report required under section 4(a)(1)(C) (12 U.S.C. 5903(a)(1)(C)), but the form of those certifications may deviate from those promulgated by the primary Federal payment stablecoin regulators. Treasury believes that the statutory direction to provide certifications to a State payment stablecoin regulator gives some discretion to the State payment stablecoin regulator to set the form of the certification that they expect to receive.

Question 35: Should States be required to accept certifications in the exact form required by the Federal regulatory framework? Would there be benefits of requiring States to accept the form required under the Federal regulatory framework? Does allowing States to accept certifications in a different form compared to the Federal regulatory framework indicate that the State regime is not substantially similar to the Federal framework?

5. Capital

Under section 4(a)(4)(A)(i) of the Act (12 U.S.C. 5903(a)(4)(A)(i)), the primary Federal payment stablecoin regulators, or in the case of a State qualified payment stablecoin issuer, the State payment stablecoin regulator, shall, consistent with section 13 of the Act (12 U.S.C. 5913), issue capital requirements that are tailored to the business model and risk profile of permitted payment stablecoin issuers and do not exceed requirements that are sufficient to ensure the ongoing operations of such issuers. However, under proposed § 1521.2(b), Treasury expects that in order for a State-level regulatory regime to be substantially similar to the Federal regulatory framework, the State's implementation of the State-calibrated requirements, including the capital provision, must lead to regulatory outcomes that are at least as stringent and protective as the Federal regulatory framework. Accordingly, Treasury believes that while States have discretion to develop their capital rules, there are some aspects of the OCC's capital framework a State must implement to be considered substantially similar to the Federal regulatory framework.

Specifically, proposed § 1521.4(e)(1) provides that the State-level regulatory regime must require, in accordance with section 4(a)(4)(A)(i) of the Act (12 U.S.C. 5903(a)(4)(A)(i)), that a State qualified payment stablecoin issuer maintains common equity tier 1 capital and additional tier 1 capital (as defined in the Federal regulatory framework)[28] that is commensurate with the nature of all risks to which the issuer is exposed, including risks for off-balance sheet activities. This requirement is consistent with the OCC's language in its proposed 12 CFR 15.41(a)(2)(i) and also reiterates the language in section 4(a)(4)(A)(i)(I) of the Act (12 U.S.C. 5903(a)(4)(A)(i)(I)) that requires capital requirements to be tailored to the business model and

[28] These terms are currently defined in the OCC's proposed 12 CFR part 15, subpart E. 91 FR 10202, 10300–301 (March 2, 2026).

risk profile of permitted payment stablecoin issuers and must not exceed requirements that are sufficient to ensure the ongoing operations of a State qualified payment stablecoin issuer. While States have discretion to set their own capital rules, for the purpose of substantial similarity, the definition of the eligible capital elements and the quality of those elements should be uniform to ensure comparability between the State-level regulatory regime and the Federal regulatory framework.

Proposed § 1521.4(e)(2), similar to the OCC's requirement in its proposed 12 CFR 15.41(a)(2), states that a State-level regulatory regime must require State qualified payment stablecoin issuers to have a process for assessing their overall capital adequacy in relation to their business model and risk profile and a comprehensive strategy for maintaining an appropriate level of capital to maintain operations. Without this requirement, a State-level regulatory regime would lack a core component of the Federal regulatory framework and could allow for State qualified payment stablecoin issuers to engage in little or no capital planning, compared to permitted payment stablecoin issuers regulated by the OCC.

In its proposed rule, the OCC is proposing to require an operational backstop to help ensure that during a business disruption that impacts operations of a payment stablecoin issuer, a liquid pool of identifiable assets exists to allow the issuer to meet short-term liquidity needs, stabilize the issuer after the disruption, and continue or resume normal operations.[29] In proposed § 1521.4(e)(3), Treasury is similarly proposing that a State-level regulatory regime must require that a State qualified payment stablecoin issuer maintain an operational backstop that has assets equal or greater than the amount required under the operational backstop in the Federal regulatory framework. By mandating that States require an operational backstop equal to or

[29] 91 FR 10202, 10242 (March 2, 2026). In the proposal, that backstop requires that an issuer maintain assets equal to 12 months of total expenses. *Id*.

greater than the amount required under the Federal regulatory framework, Treasury seeks to establish a clear baseline for determining that a State-level regulatory regime is substantially similar to the Federal regulatory framework.

In § 1521.4(e)(4), Treasury is also proposing to require that the State-level regulatory regime must include provisions that establish consequences for issuers failing to meet the minimum capital or operational backstop requirements that meet or exceed the standard in the Federal regulatory framework. For example, the OCC's proposed 12 CFR 15.41(c) includes consequences for failing to meet minimum capital and operational backstop requirements that (i) prohibit permitted payment stablecoin issuers that fail to meet minimum capital or operational backstop requirements at the end of a quarter from issuing any new payment stablecoins, except in limited circumstances; (ii) require a permitted payment stablecoin issuer that fails to meet its minimum capital or operational backstop requirements at the end of two consecutive quarters to (A) begin liquidation of reserve assets and redemption of outstanding payment stablecoins; (B) not charge customers a fee to redeem their payment stablecoins; and (C) not issue any new payment stablecoins going forward.[30] Treasury believes that absent the ability to enforce the relevant capital and operational backstop requirements, a State-level regulatory regime's capital standards would be significantly less meaningful than those in the Federal regulatory framework.

Treasury acknowledges that States may seek to establish additional capital thresholds or metrics beyond those in the Federal regulatory framework, which may include additional types of capital or risk-based requirements. Proposed § 1521.4(e)(5) would allow States to do so, but only if the State-level regulatory regimes also comply with the requirements described in proposed § 1521.4(e)(1) through (e)(4). To comply with section 4(a)(4)(A)(i) of the Act (12

[30] 91 FR 10202, 10302 (March 2, 2026).

U.S.C. 5903(a)(4)(A)(i)), any such requirements must be tailored to the business model and risk profile of State qualified payment stablecoin issuers and not exceed requirements that are sufficient to ensure the ongoing operations of such issuers.

Question 36: To the extent that the OCC adopts alternate capital requirements, such as those described in Questions 177—190 of its proposed rule (e.g., a minimal capital requirement based on a set percentage of outstanding issuance value, a minimal operational risk capital charge that scales with issuer size, or a charge for credit risk such as a 2 percent capital charge for uninsured deposits),[31] *to what extent should part 1521 incorporate or reflect those alternate capital requirements for purposes of assessing the substantial similarity of State-level regulatory regimes? Regardless of whether the OCC adopts those alternate capital requirements as mandatory, should part 1521 incorporate or reflect any of them as a safe harbor, for instance such that their adoption in State-level regulatory regimes will be deemed substantially similar to the Federal regulatory framework?*

Question 37: Should States be required to adopt standards for common equity tier 1 capital and additional tier 1 capital as defined in the Federal regulatory framework? Are there issues that adopting these definitions could create for States or State qualified payment stablecoin issuers?

Question 38: Is it sufficiently clear how States may deviate from the capital requirements in the Federal regulatory framework?

Question 39: Should State-level regulatory regimes be required to mandate that State qualified payment stablecoin issuers have a process for assessing their overall capital adequacy in relation to their business model and risk profile? How should a State-level regulatory regime

[31] 91 FR 10202, 10265–66 (March 2, 2026).

be compared to the Federal regulatory framework on capital sufficiency if the former permits permitted payment stablecoin issuers to engage in a broader variety of activities than the latter?

Question 40: Should State-level regulatory regimes be required to have an operational backstop? If yes, should they be required to adopt the same or greater required operational backstop levels as the OCC? If not, should there be any quantitative measures from the Federal regulatory framework that a State-level regulatory regime should be required to adopt? Is it sufficiently clear how a State would calculate expenses under the operational backstop as proposed? If the OCC determines that it will not adopt an operational backstop, should any other capital standards from the Federal regulatory framework be required to be adopted in State-level regulatory regimes?

Question 41: If the OCC adopts a capital framework that requires minimum capital levels set using certain objective quantitative requirements, should State-level regulatory regimes be required to adopt the same quantitative requirements?

Question 42: If the Federal regulatory framework largely sets capital requirements on an individualized, issuer-by-issuer basis, rather than fixed standards, how should the State-level regulatory regime be measured against the requirements and outcomes of the Federal regulatory framework? What data or methodology should be used to make these comparisons? For example, should a range or average of expected capital amounts under a State-level regulatory regime be measured against a range or average of expected or actual capital amounts imposed by the OCC?[32] *What would be the positive and negative effects of taking such an approach?*

[32] *See, e.g.*, 91 FR 10202, 10240 ("The OCC's experience with chartering de novo national trust banks seeking to provide stablecoin programs determined that minimum capital amounts ranging from $6.05 million to $25 million would be necessary to establish a viable business model.").

Question 43: Should part 1521 provide any safe harbors for being substantially similar with respect to capital requirements? If so, what should the safe harbors be? For example, should a State-level regulatory regime be deemed substantially similar if it mirrors a capital regime that has been promulgated by any primary Federal payment stablecoin regulator?

Question 44: If a State-level regulatory regime adopts capital requirements that the State has applied to other State-regulated institutions (such as State banks), how should the substantial similarity assessment consider the actual historical capital levels of those State-regulated institutions?

6. Liquidity, Reserve Asset Diversification, and Interest Rate Risk Management

Under section 4(a)(4)(A)(ii) of the Act (12 U.S.C. 5903(a)(4)(A)(ii)), the primary Federal payment stablecoin regulators and State payment stablecoin regulators are required to issue regulations implementing liquidity standards applicable to permitted payment stablecoin issuers. Additionally, section 4(a)(4)(A)(iii) of the Act (12 U.S.C. 5903(a)(4)(A)(iii)) requires those Federal and State regulators to issue regulations implementing "reserve asset diversification, including deposit concentration at banking institutions, and interest rate risk management standards applicable to permitted payment stablecoin issuers." Just as the Act provides States with discretion to develop capital rules, the Act also provides the States with discretion to develop liquidity, reserve asset diversification, and interest rate risk management standards. For the reasons described above, Treasury believes that a State-level regulatory regime must meet or exceed these aspects of the Federal regulatory framework, including the OCC's liquidity and interest rate risk management framework, to be considered substantially similar to the Federal regulatory framework.

In its proposed rule, the OCC proposed two options for its liquidity requirements: Option A includes a principles-based general requirement with an optional safe harbor containing quantitative requirements, and Option B would make those quantitative requirements mandatory for all issuers.[33] Because States have discretion to devise their liquidity standards, Treasury sets out a high-level requirement in proposed § 1521.4(f)(1) that would mirror the OCC's proposed 12 CFR 15.11(c)(1) and mandate that the State-level regulatory regime must require, in accordance with section 4(a)(4)(A)(ii) of the Act (12 U.S.C. 5903(a)(4)(A)(ii)), a State qualified payment stablecoin issuer to maintain its reserve assets in a way that is sufficiently diverse to manage potential credit, liquidity, interest rate, and price risks.

To provide additional clarity to States on how their liquidity frameworks can be substantially similar to the Federal regulatory framework, Treasury proposes that a State-level regulatory regime would satisfy proposed § 1521.4(f)(1) if the regime requires State qualified payment stablecoin issuers to follow the quantitative requirements from the OCC's regulations. Specifically, proposed § 1521.4(f)(2) provides that a State-level regulatory regime satisfies the requirement in proposed § 1521.4(f)(1) if the State qualified payment stablecoin issuer is required to (i) maintain the same or greater percentage of its reserve assets for each minimum threshold in the Federal regulatory framework; (ii) maintain the same or lower percentage of its reserve assets for each maximum threshold in the Federal regulatory framework; and (iii) maintain reserve assets with a weighted average maturity equal to or lower than the threshold in the Federal regulatory framework. While States may adopt liquidity frameworks consistent with proposed § 1521.4(f)(1) that do not incorporate the OCC's quantitative requirements, such frameworks will only be substantially similar to the Federal regulatory framework if they result

[33] 91 FR 10202, 10216 (March 2, 2026).

in outcomes that are at least as stringent and protective as (i.e., meet or exceed) the regulatory outcomes under the OCC's regulations.

Proposed § 1521.4(f)(3) provides that a State-level regulatory regime, in accordance with section 4(a)(4)(A)(iii) of the Act (12 U.S.C. 5903(a)(4)(A)(iii)), must require that a State qualified payment stablecoin issuer has standards for interest rate risk management that are consistent with the Federal regulatory framework. Accordingly, consistent with the OCC's proposal, the State-level regulatory regime must require that a State qualified payment stablecoin issuer (i) manage interest rate risk in a manner that is appropriate to the size and complexity of the permitted payment stablecoin issuer and the complexity of its assets and liabilities and (ii) provide for periodic reporting to management and the board of directors regarding interest rate risk with adequate information for management and the board of directors to assess the level of risk.[34]

Proposed § 1521.4(f)(4) requires that the State-level regulatory regime must establish consequences for State qualified payment stablecoin issuers that fail to meet the reserve asset requirements, which meet or exceed the standard in the Federal regulatory framework. For example, the OCC's proposed 12 CFR 15.11(g) provides various consequences for when a permitted payment stablecoin issuer fails to meet the minimum reserve asset requirements, including that the issuer is prohibited from issuing any new payment stablecoins, except in limited circumstances and that the issuer may not resume issuance until it satisfies the reserve requirements.[35] The OCC also addresses consequences for permitted payment stablecoin issuers that fail to satisfy the minimum reserve asset requirements for 15 consecutive business days and includes a provision by which the OCC may request the permitted payment stablecoin issuer to

[34] 91 FR 10202, 10222 (March 2, 2026).
[35] *Id.* at 10290.

submit a plan describing how the issuer will attain compliance with certain liquidity-related requirements.[36] To be considered substantially similar to the Federal regulatory framework, a State-level regulatory regime would be required to establish consequences for State qualified payment stablecoin issuers that fail to meet the reserve requirements, which meet or exceed those in the OCC's regulations.

Proposed § 1521.4(f)(5) operates similarly to the treatment of additional capital requirements under proposed § 1521.4(e)(5). As with capital requirements, States may elect to establish other liquidity, diversification, or interest rate risk thresholds or metrics, but such requirements are permissible only if the State-level regulatory framework also complies with the requirements in proposed § 1521.4(f)(1) through (f)(4).

Question 45: Should the specific quantitative requirements described in proposed §§ 1521.4(f)(2)(i)-(iii) be strict requirements for substantial similarity or instead a safe harbor? If the latter, should the metrics function as a safe harbor for substantial similarity (i) if the State-level regulatory regime offers those metrics as a safe harbor to State qualified payment stablecoin issuers or (ii) only if the State-level regulatory regime mandates the metrics for all State qualified payment stablecoin issuers?

Question 46: To the extent that some of the OCC's metrics (e.g., requirements to maintain certain amounts in insured deposits) apply only to issuers with outstanding issuances greater than $10 billion, should State regulatory frameworks reflect such metrics, to account for possible waivers of larger State qualified payment stablecoin issuers? Or should the State regulatory framework be permitted not to address those elements while remaining substantially similar?

[36] *Id*.

Question 47: Should the States be able to devise their own liquidity, reserve asset diversification, and interest rate risk management standards that are not tied to the OCC's rules for these provisions?

Question 48: To the extent that the FDIC or NCUA establish limitations on demand deposits or insured shares at an insured depository institution pursuant to section 4(a)(1)(A)(ii) of the Act (12 U.S.C. 5903(a)(1)(A)(ii)), should these limitations be considered part of the Federal regulatory framework, such that States would need to include these limitations in their State-level regulatory regimes?

7. Operational, Compliance, and Information Technology Risk Management

Under section 4(a)(4)(A)(iv) of the Act (12 U.S.C. 5903(a)(4)(A)(iv)), Federal and State regulators are required to issue regulations implementing "appropriate operational, compliance, and information technology risk management principles-based requirements and standards, including Bank Secrecy Act and sanctions compliance standards." This requirement contemplates that States would have discretion to design their own such standards. Proposed § 1521.4(g) requires that a State-level regulatory regime must, in accordance with section 4(a)(4)(A)(iv) of the Act (12 U.S.C. 5903(a)(4)(A)(iv)), include appropriate operational, compliance, and information technology risk management principles-based requirements and standards, including BSA and sanctions compliance standards that (i) lead to regulatory outcomes that are at least as stringent and protective as the principles-based requirements and standards in the Federal regulatory framework; (ii) are tailored to the business model and risk profile of State qualified payment stablecoin issuers; (iii) are consistent with applicable law; and (iv) address, at a minimum, internal controls, information security, information systems, an

internal audit system, asset growth, earnings, insider and affiliate transactions, and service provider arrangements.

With respect to the requirement in proposed § 1521.4(g)(1) that the State-level regulatory regime have principles-based requirements and standards that lead to regulatory outcomes that are at least as stringent and protective as the principles-based requirements and standards in the Federal regulatory framework, Treasury expects that States will look to the Federal regulatory framework, including the OCC's rules, for determining the level of prescriptiveness of their requirements and standards. The OCC states that its proposed standards are designed to be flexible based on the nature, scope, and risk of a permitted payment stablecoin issuer's activities.[37] Accordingly, States should have discretion to develop principles-based requirements and standards that apply to State qualified payment stablecoin issuers. However, for BSA and sanctions compliance standards, given the evolving nature of these Federal requirements (e.g., the designation of new sanctioned entities or changes to sanction programs), Treasury again generally expects that States would cross-reference Treasury's rules regarding BSA and sanctions program requirements. Proposed § 1521.4(g)(2) and (3) merely restate the requirement from sections 4(a)(4)(A)(iv)(I) and (II) of the Act (12 U.S.C. 5903(a)(4)(A)(iv)(I) and (II)) that any such standards are tailored to the business model and risk profile of the State qualified payment stablecoin issuers and are consistent with applicable law. As it relates to BSA and sanctions standards, the regulations issued by Treasury through the Financial Crimes Enforcement Network and the Office of Foreign Assets Control are also required to be tailored to the size and complexity of permitted payment stablecoin issuers under the GENIUS Act.

[37] 91 FR 10202, 10222 (March 2, 2026).

Accordingly, beyond cross-referencing Treasury's rules, no further tailoring by States would be required.

Proposed § 1521.4(g)(4) provides the topics (other than BSA and sanctions standards) that States must address through principles-based requirements and standards, while preserving discretion for States to develop additional standards that are tailored to the business model and risk profile of State qualified payment stablecoin issuers. Specifically, the State-level regulatory regime must have standards that cover, at a minimum, internal controls, information security, information systems, internal audit, asset growth, earnings, insider and affiliate transactions, and service provider arrangements. The categories of requirements and standards align with those required by the OCC under its proposed rule, ensuring that at a high level, the State-level regulatory regime and Federal regulatory framework are substantially similar because they address the same categories of risk.[38]

8. Activities

Section 4(a)(7)(A) of the Act (12 U.S.C. 5903(a)(7)(A)) sets out permissible activities for permitted payment stablecoin issuers, including issuing and redeeming payment stablecoins, and managing related reserves. Further, section 4(a)(7)(B) of the Act (12 U.S.C. 5903(a)(7)(B)) provides, "Nothing in subparagraph (A) shall limit a permitted payment stablecoin issuer from engaging in payment stablecoin activities or digital asset service provider activities specified by this Act, and activities incidental thereto, that are authorized by the primary Federal payment stablecoin regulator or the State payment stablecoin regulator, as applicable, consistent with all other Federal and State laws, provided that the claims of payment stablecoin holders rank senior

[38] 91 FR 10202, 10221 (March 2, 2026).

to any potential claims of non-stablecoin creditors with respect to the reserve assets, consistent with section 11."

This provision of the Act provides Federal and State regulators with independent discretion to approve (or disapprove) the activities of their State qualified payment stablecoin issuers. Importantly, however, Treasury concurs with the interpretation in the OCC's proposed rule that section 4(a)(7)(B) of the Act (12 U.S.C. 5903(a)(7)(B)) does not by itself authorize permitted payment stablecoin issuers to engage in digital asset service provider activities; it is merely a savings clause that permits such activities to the extent that they are authorized under other applicable law.[39]

Further, there are limitations on the scope of activities that States may authorize. Treasury interprets the reference in section 4(a)(7)(B) of the Act (12 U.S.C. 5903(a)(7)(B)) to "payment stablecoin activities or digital asset service provider activities specified by this Act" to refer only to the activities listed in the preceding paragraph, section 4(a)(7)(A) of the Act (12 U.S.C. 5903(a)(7)(A)), as well as the activities listed in the definition of digital asset service provider in section 2(7) of the Act (12 U.S.C. 5901(7)). Those two provisions list the activities that permitted payment stablecoin issuers and digital asset service providers may engage in. Under section 4(a)(7)(B) of the Act (12 U.S.C. 5903(a)(7)(B)), permissibly authorized activities also include activities that are "incidental" to those enumerated activities although certain activities may fall so clearly beyond the scope of the Act that they cannot be reasonably considered to be incidental thereto.

Sections 16(a) and 16(d) of the Act (12 U.S.C. 5915(a), (d)) provide that nothing in the Act may be construed to limit the authority of certain institutions to engage in certain

[39] *See* 90 FR 10202, 10211 (March 2, 2026).

enumerated activities. Thus, Treasury believes that it is permissible for State-level regulatory regimes to permit those institutions to engage in those activities even if they are licensed as State qualified payment stablecoin issuers. However, Treasury believes that the same limitations in section 4(a)(7)(B) of the Act (12 U.S.C. 5903(a)(7)(B)) apply to such activities, namely that they must be authorized by another State or Federal law.

Accordingly, proposed § 1521.4(h)(1) provides that, subject to proposed § 1521.4(h)(2), a State-level regulatory regime may not authorize a State qualified payment stablecoin issuer to engage in any activities that are not specified under section 4(a)(7)(A) of the Act (12 U.S.C. 5903(a)(7)(A)). Furthermore, proposed § 1521.4(h)(2)(i) provides that a State-level regulatory regime may authorize State qualified payment stablecoin issuers to engage in activities not specified in Section 4(a)(7)(A) of the Act (12 U.S.C. 5903(a)(7)(A)), only to the extent that: (i) such activities are: (A) incidental to the activities specified in section 4(a)(7)(A) of the Act (12 U.S.C. 5903(a)(7)(A)); (B) digital asset service provider activities specified in section 2(7) of the Act (12 U.S.C. 5901(7)) or activities incidental thereto; or (C) activities specified in sections 16(a) or 16(d) of the Act (12 U.S.C. 5915(a), (d)). Additionally, proposed § 1521.4(h)(2)(ii) through (iii) requires that such activities must be authorized by Federal or State law other than the Act and that they be consistent with all other Federal and State law. Proposed § 1521.4(h)(2)(iv) restates the requirement in section 4(a)(7)(B) of the Act (12 U.S.C. 5903(a)(7)(B)) that the claims of payment stablecoin holders rank senior to any potential claims of non-stablecoin creditors with respect to reserve assets, consistent with section 11 of the Act (12 U.S.C. 5910 and 5911).

Proposed § 1521.4(h)(3) provides that for the avoidance of doubt, a State-level regulatory regime must prohibit State qualified payment stablecoin issuers from engaging in any activities

prohibited under the Act, including the prohibition on rehypothecation in section 4(a)(2) of the Act (12 U.S.C. 5903(a)(2)), the prohibition on the use of deceptive names in section 4(a)(9) of the Act (12 U.S.C. 5903(a)(9)), the prohibition against misrepresenting insured status in section 4(e) of the Act (12 U.S.C. 5903(e)), and the prohibition on paying interest or yield in section 4(a)(11) of the Act (12 U.S.C. 5903(a)(11)).

Question 49: Are "payment stablecoin activities or digital asset service provider activities specified by this Act" correctly scoped? Are all of the activities listed in section 2(7) (12 U.S.C. 5901(7)) of the Act permissible for State qualified payment stablecoin issuers or only a subset (e.g., only the activities listed in section 2(7)(A) but not 2(7)(B))? Should the activities in section 16(a) or 16(d) of the Act (12 U.S.C. 5915(a) or (d)) be further qualified for State qualified payment stablecoin issuers? Should the principles reference section 10 of the Act (12 U.S.C. 5909)?

Question 50: Should there be additional limitations on the activities that a State-level regulatory regime can authorize beyond what is proposed herein? For example, should there be additional limitations or guidance on what constitutes incidental activities? Should the activities in the State-level regulatory regime be limited to activities authorized by the OCC or the other primary Federal payment stablecoin regulators?

Question 51: Is there a point at which a State qualified payment stablecoin issuer could engage in permissible digital asset service provider activities or incidental activities that, while legally permissible in the abstract, are done in combination or at such scale that they functionally defeat the Act's protective provisions relating to reserves and insolvency and would expose payment stablecoin holders to an unintended degree of risk? For example, what if 99% of a State qualified payment stablecoin issuer's business was exchanging digital assets for other

digital assets, and only 1% was related to issuing payment stablecoins? Should part 1521 reserve the possibility of State-authorized activities that, when considered in context, render the State-level regulatory regime no longer substantially similar to the Federal regulatory framework?

Question 52: Should Treasury include a provision that provides that State qualified payment stablecoin issuers can engage in the activities under section 16(b) of the Act (12 U.S.C. 5915(b)) (e.g., acting as principal or agent with respect to any payment stablecoin and payment of fees to facilitate customer transactions)? Should State qualified payment stablecoin issuers not be able to engage in such activities because section 16(b) (12 U.S.C. 5915(b)) applies to "entities regulated by the primary Federal payment stablecoin regulators?"

G. Other Provisions of the GENIUS Act (Proposed § 1521.5)

1. Transition to Federal Oversight

Section 4(d) of the Act (12 U.S.C. 5903(d)) provides that State qualified payment stablecoin issuers (other than State chartered depository institutions) that reach an outstanding issuance of more than $10 billion shall either (i) transition to the Federal regulatory framework administered by the relevant State payment stablecoin regulator and the OCC, acting in coordination,[40] or (ii) cease issuing new payment stablecoins until they fall below the $10 billion threshold.[41]

At a minimum, Treasury expects that a substantially similar State-level regulatory regime would need to address the transition to Federal oversight contemplated by section 4(d) of the Act

[40] If the State qualified payment stablecoin issuer is a State chartered depository institution, it shall either (i) transition to the Federal regulatory framework of the primary Federal payment stablecoin regulator of the depository institution, administered by the State payment stablecoin regulator and the primary Federal payment stablecoin regulator acting jointly, or (ii) cease issuing new payment stablecoins until it falls below the $10 billion threshold. *See* section 4(d)(1) of the Act (12 U.S.C. 5903(d)(1)).

[41] These requirements can be waived by the relevant primary Federal payment stablecoin regulator if certain conditions are met as set out in section 4(d)(3) of the Act (12 U.S.C. 5903(d)(3)).

(12 U.S.C. 5903(d)), in order to notify State qualified stablecoin issuers of the relevant threshold and the existence of Federal requirements. However, because Treasury expects that the Federal regulatory framework would generally provide for direct engagement between the relevant State qualified payment stablecoin issuer and the primary Federal payment stablecoin regulator,[42] the State-level regulatory regime need not either provide for the State payment stablecoin regulator to intermediate between them or reproduce the Federal regulatory framework's procedures or requirements. Each State therefore has flexibility on the extent to which it wishes to reproduce the Federal regulatory framework's procedure or requirements in its State-level regulatory regime, and the extent to which it will impose parallel requirements that do not impede the Federal regulatory framework's requirements, such as advance or parallel notifications to the State payment stablecoin regulator. Proposed § 1521.5(a) provides simply that to be substantially similar to the Federal regulatory framework in this regard, any portions of the State-level regulatory regime that address the transition to Federal oversight must be consistent with the Federal regulatory framework.

For the transition to Federal oversight to function effectively, the State-level regulatory regime must not impede the operation of the Federal regulatory framework and the transition of State qualified payment stablecoin issuers to Federal oversight. A State-level regulatory regime that, for example, could delay or condition the submission by the State qualified payment stablecoin issuer of information required by the Federal regulatory framework would not be consistent with, and therefore not substantially similar to, the Federal regulatory framework. Similarly, a State-level regulatory regime that precluded or limited the ability of a State qualified

[42] *See* 91 FR 10202, 10227 (March 2, 2026).

payment stablecoin issuer to comply with capital requirements imposed by the Federal regulatory framework would not be substantially similar.

Question 53: Should a State-level regulatory regime be required to reproduce some or all of the portions of the Federal regulatory framework, such as the OCC's regulations in its proposed 12 CFR 15.15, relating to the transition to Federal oversight?

Question 54: For depository institutions, should part 1521 reference regulations promulgated by primary Federal payment stablecoin regulators other than the OCC? For example, should the Federal regulatory framework include regulations of other primary Federal payment stablecoin regulators for purposes of section 4(d) of the Act (12 U.S.C. 5903(d))?

Question 55: Should a State-level regulatory regime be required to address procedures for joint or coordinated supervision of State qualified payment stablecoin issuers that transition to Federal oversight?

Question 56: To what extent, if at all, should a State-level regulatory regime be able to impose requirements on State qualified payment stablecoin issuers that have transitioned to Federal oversight, beyond what is contained in the primary Federal payment stablecoin regulator's regulatory framework?

2. Applications and Licensing

Section 5 of the Act (12 U.S.C. 5904) addresses applications and licensing of subsidiaries of insured depository institutions and Federal qualified payment stablecoin issuers, but does not address applications and licensing of State qualified payment stablecoin issuers. Instead, Treasury believes that the Act intended to leave applications and licensing of State qualified payment stablecoin issuers largely in the discretion of State payment stablecoin regulators,

recognizing the long history of States in chartering and licensing financial institutions.[43] Therefore, Treasury believes that it would be inappropriate and inconsistent with the Act to require States to mirror the specific practices, timeframes, procedures, or forms in the Federal regulatory framework.

At the same time, Treasury believes that to be substantially similar to the Federal regulatory framework, a State-level regulatory regime must generally provide prospective State qualified payment stablecoin issuers with a pathway to licensure that is similarly fair, transparent, and viable to the Federal regulatory framework. To that end, proposed § 1521.5(b) states that the State-level regulatory regime must provide a framework for accepting applications from potential State qualified payment stablecoin issuers that addresses, at a minimum, the content required in an application and the factors upon which the State payment stablecoin regulator will render a decision on the application. Similar to the process under the Federal regulatory framework, providing applicants with clear rules of the road in advance on what is required in an application and how the application will be evaluated promotes a fair, transparent, and viable pathway to licensure for State qualified payment stablecoin issuers. In contrast, if a State-level regulatory regime left applicants uncertain of the information they will be required to submit, or enabled the State payment stablecoin regulator to reject the application on unclear or unknown grounds, the regime would not enable a viable path for licensure and therefore would not be substantially similar to the Federal regulatory framework.

For the avoidance of doubt, the proposal reiterates that the State-level regulatory regime must also require the post-application and annual certifications required under section 5(i) of the Act (12 U.S.C. 5904(i)).

[43] *See generally* sections 7(a), (d) of the Act (12 U.S.C. 5906(a), (d)).

Question 57: Is it appropriate to measure substantial similarity of a State-level regulatory regime by focusing on the transparency, fairness, and viability of the application process, as opposed to the content of the application or evaluation factors, or other aspects of the State-level regulatory regime? Should the State-level regulatory regime instead be required to adopt some or all of the factors set out in Section 5(c) of the Act (12 U.S.C. 5904(c))?

Question 58: How, if at all, should substantial similarity consider the resources, capacity to evaluate applications, or past practices of a State payment stablecoin regulator? How, if at all, should part 1521 address a State where licenses are routinely denied or delayed, or conversely, routinely approved as a matter of course without appropriate review?

3. Supervision and enforcement

Section 7 of the Act (12 U.S.C. 5906) provides that State payment stablecoin regulators (i) shall have supervisory, examination, and enforcement authority over all State qualified payment stablecoin issuers of such State, and (ii) may issue orders and rules under section 4 of the Act (12 U.S.C. 5903) applicable to State qualified payment stablecoin issuers to the same extent as the primary Federal payment stablecoin regulators do for permitted payment stablecoin issuers under their jurisdiction.[44] Treasury interprets the Act to provide State payment stablecoin regulators with substantial latitude in the supervision and enforcement of State qualified payment stablecoin issuers, consistent with their important co-equal role as payment stablecoin regulators in the dual Federal-State regime established by the Act and their long history of regulating State-chartered financial institutions. Treasury believes it would be inappropriate and inconsistent with the Act to narrowly limit the discretion of State payment stablecoin regulators in engaging in

[44] *See* sections 7(a), (d) of the Act (12 U.S.C. 5906(a), (d)).

their supervision and regulation activities or require them to mirror the supervisory or enforcement practices, timeframes, procedures, or reporting in the Federal regulatory framework.

At the same time, Treasury believes that to be substantially similar to the Federal regulatory framework, the State-level regulatory regime must empower their State regulators with sufficient tools and ability to supervise and examine State qualified payment stablecoin issuers. Therefore, proposed § 1521.5(c) provides that a State-level regulatory regime must appropriately provide the State payment stablecoin regulator with similar authority over State qualified payment stablecoin issuers as provided over Federal qualified payment stablecoin issuers under the Federal regulatory framework, consistent with section 6 of the Act (12 U.S.C. 5905), to license, supervise, examine, obtain reports, impose conditions, and take enforcement actions. In general, we would expect a substantially similar State-level regulatory regime to provide a State payment stablecoin regulator with sufficient authority to take any of the actions contemplated by section 6 of the Act (12 U.S.C. 5905). The proposal further provides that except as provided in the Act or elsewhere in part 1521, the State-level regulatory regime and State payment stablecoin regulators do not need to mirror the specific timeframes, procedures, or reporting in the Federal regulatory framework.

Question 59: Should the substantial similarity of a State-level regulatory regime be assessed by focusing on the authority it grants to a State payment stablecoin regulator, or instead on practices, procedures, or other aspects of the State-level regulatory regime or State payment stablecoin regulators?

Question 60: How, if at all, should substantial similarity take into account the resources, capacity to supervise, or past practices of the State payment stablecoin regulators? How, if at

all, should part 1521 address a State where supervision and enforcement are not robust in practice?

Question 61: How, if at all, should a State-level regulatory regime address the enforcement authority of the FRB or the OCC provided in section 7(e) of the Act (12 U.S.C. 5906(e))?

Question 62: Are there timeframes, procedures, or reporting in the Federal regulatory framework related to supervision and enforcement that State-level regulatory regimes should be required to implement to be considered substantially similar to the Federal regulatory framework? For example, should a State-level regulatory regime be required to examine State qualified payment stablecoin issuers at the same intervals as in the OCC's rule?

4. Custody

Section 10 of the Act (12 U.S.C. 5909) imposes certain requirements on any person seeking to provide custodial or safekeeping services for payment stablecoin reserves, payment stablecoins used as collateral, or the private keys used to issue payment stablecoins. Among other things, section 10 (12 U.S.C. 5909) requires such custodians to be subject to the supervision or regulation of a Federal or State supervisor, to treat certain assets as customer property, to separately account for and not commingle certain assets unless permitted under a listed exception, and to provide certain regulatory information as determined by their supervisor. Proposed § 1521.5(d) provides that the State-level regulatory regime must place conditions on custody that are consistent with section 10 of the Act (12 U.S.C. 5909). While States have discretion to impose restrictions on custodians, such restrictions should not weaken the requirements of the Act, for example, by expanding the pool of potential custodians or narrowing the categories of property that custodians must treat as customer property.

Question 63: Should these principles require closer alignment between the custody requirements in a State-level regulatory regime and the Federal regulatory framework, such as by requiring the former to incorporate certain provisions of Federal rules on custody?

Question 64: Should part 1521 only require that a State-level regulatory regime mandate that State qualified payment stablecoin issuers use custodians that are allowed under the Act?

Question 65: Are there protections that will be instituted under the Federal regulatory framework for custody that States will be unable to replicate in a substantially similar manner?

Question 66: Should the requirement regarding making certain information available to the FRB in section 10(a)(1)(B) of the Act (12 U.S.C. 5909(a)(1)(B)) be explicitly included as a requirement for the State-level regulatory regime?

5. Insolvency

Section 11 of the Act (12 U.S.C. 5910 and 5911) sets forth certain requirements for the treatment of payment stablecoin issuers in insolvency proceedings. For example, section 11(a)(1) of the Act (12 U.S.C. 5910(a)(1)) provides that subject to the Act's amendments to the U.S. Bankruptcy Code, in any insolvency proceeding of a permitted payment stablecoin issuer under Federal or State law, including in any proceeding under the Bankruptcy Code and in any insolvency proceeding administered by a State payment stablecoin regulator with respect to a permitted payment stablecoin issuer, "the claim of a person holding payment stablecoins issued by the permitted payment stablecoin issuer shall have priority, on a ratable basis with the claims of other persons holding such payment stablecoins, over the claims of the permitted payment stablecoin issuer and any other holder of claims against the permitted payment stablecoin issuer, with respect to required payment stablecoin reserves."

In proposed § 1521.5(e), Treasury provides that to the extent that State qualified payment stablecoin issuers may be subject to State insolvency proceedings, a State-level regulatory regime must be consistent with section 11 of the Act (12 U.S.C. 5910 and 5911). Accordingly, in addition to being consistent with the rest of section 11 (12 U.S.C. 5910 and 5911), a State-level regulatory regime would be required to ensure that the claim of a person holding payment stablecoins issued by a permitted payment stablecoin issuer has priority in an insolvency proceeding consistent with the priority outlined in the Act.

Question 67: Should these principles require closer alignment between the insolvency requirements in a State-level regulatory regime and the Federal regulatory framework, such as by requiring the former to incorporate certain provisions of Federal rules on insolvency?

Question 68: Are there protections under the Federal regulatory framework for insolvency that States will be unable to replicate in a substantially similar manner?

Question 69: Are there issues that States will face related to incorporating the Act's insolvency provisions?

H. Additional State Requirements (Proposed § 1521.6)

States may choose to add certain additional restrictions or requirements to their State-level regulatory regimes beyond those included in the Federal regulatory framework. Section 4(a)(14) of the Act (12 U.S.C. 5903(a)(14)) provides that compliance with section 4 (12 U.S.C. 5903) "does not alter or affect any additional requirement of a State payment stablecoin regulator that may apply relating to the offering of payment stablecoins."[45] In addition, the requirement that a State-level regulatory regime "meet or exceed" the standards and requirements described

[45] In addition, section 7(f)(4) of the Act (12 U.S.C. 5906(f)(4)) provides, "Except for State laws relating to the chartering, licensure, or other authorization to do business as a permitted payment stablecoin issuer, nothing in this Act shall preempt State consumer protection laws, including common law, and the remedies available thereunder."

in section 4(a) of the Act (12 U.S.C. 5903(a)) inherently contemplates that States may exceed the requirements of the Federal regulatory framework. Therefore, proposed § 1521.6 provides that States may impose additional restrictions or requirements on State qualified payment stablecoin issuers, so long as (i) such restrictions or requirements do not conflict with any provision of the GENIUS Act, part 1521, or other applicable Federal law, and (ii) the restrictions or requirements do not modify the State-level regulatory regime such that it can no longer be reasonably viewed as substantially similar to the Federal regulatory framework. Treasury believes that the limitation on direct conflicts with Federal law is appropriate because (i) State qualified payment stablecoin issuers remain permitted payment stablecoin issuers subject to the Act, as described above; (ii) the State-level regulatory regime must remain substantially similar to the Federal regulatory framework in accordance with this part; and (iii) State law yielding to Federal law in the case of direct conflicts is a longstanding principle of law.

Question 70: What, if any, limitations should be placed on the ability of States to impose restrictions or requirements on State qualified payment stablecoin issuers in addition to those in the Federal regulatory framework? Should there be limitations on aspects of State-level regulatory regimes other than the restrictions or requirements that govern State qualified payment stablecoin issuers?

Question 71: Is conflict with Federal law the appropriate standard for when a State may not impose additional restrictions or requirements? Is the appropriate scope of such potentially conflicting Federal law the Act and part 1521, or should the standard encompass potential conflicts with other Federal statutes or rules? Should the standard expressly provide further guidance on preemption of State law or the application of State consumer protection laws, in particular given section 7(f)(4) of the Act (12 U.S.C. 5906(f)(4))?

Question 72: When, if at all, may additional restrictions imposed by a State on State qualified payment stablecoin issuers cause the State-level regulatory regime to differ so much from the Federal regulatory framework that the former could no longer be considered substantially similar to the latter? What standards should be used to judge whether that limit has been reached? Should the limit differ based on whether the additional restrictions are issues covered by the Federal regulatory framework (e.g., reserve requirements) or instead are not addressed by the Federal regulatory framework?

Question 73: Is the "reasonably viewed" standard appropriate and sufficiently clear? If not, how should it be changed or clarified?

I. Severability (Proposed § 1521.7)

Proposed § 1521.7 provides that the provisions of part 1521 are separate and severable from one another. If any provision, clause, or phrase of part 1521, or the application thereof to any person, entity, or circumstance, is stayed or deemed to be invalid, unlawful, or unenforceable by a court of competent jurisdiction, such determination shall not affect the validity, lawfulness, or enforceability of the remaining provisions or applications of this regulation, which shall remain in full force and effect to the maximum extent permitted by law.

Treasury is proposing to include a severability clause so that in the event any particular provision of the proposed rule is held to be invalid, the remainder of the rule would remain in effect, providing clarity for State payment stablecoin regulators and State qualified payment stablecoin issuers. This regulation would have been proposed independently of any provision or application that may be declared invalid.

III. Regulatory Matters

A. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA)[46] requires an agency to consider the impact of its proposed rules on small entities. In connection with a proposed rule, the RFA generally requires an agency to prepare an Initial Regulatory Flexibility Analysis (IRFA) describing the impact of the rule on small entities, unless the head of the agency certifies that the proposed rule will not have a significant economic impact on a substantial number of small entities and publishes such certification along with a statement providing the factual basis for such certification in the *Federal Register*.

As described throughout this proposal, this proposed rule does not directly regulate any small entities, including permitted payment stablecoin issuers that may be small entities. While States may choose to regulate such small entities in accordance with the principles set out in this proposed rule, it is difficult to know at this time how many States will opt to regulate such entities, or how many entities may be affected. Further, the effects on small entities will depend on the details of each State-level regulatory regime, which may vary widely, given the discretion provided to States under the Act and this proposal. Therefore, at this time, Treasury does not expect that part 1521 would have a significant impact on a substantial number of small entities under the RFA. However, Treasury invites comment on any effects on small entities.

B. Unfunded Mandates Reform Act

Treasury has analyzed the proposed rule under the factors in the Unfunded Mandates Reform Act of 1995 (UMRA).[47] Under this analysis, Treasury considered whether the proposed rule includes a Federal mandate that may result in the expenditure by State, local, and tribal

[46] 5 U.S.C. 601 *et seq.*
[47] 2 U.S.C. 1531 *et seq.*

governments, in the aggregate, or by the private sector, of $100 million or more in any one year (adjusted annually for inflation). Pursuant to section 202 of the UMRA,[48] if a proposed rule meets this UMRA threshold, Treasury would need to prepare a written statement that includes, among other things, a cost-benefit analysis of the proposal. This requirement does not apply to regulations to the extent they incorporate requirements specifically set forth in law.[49]

Treasury has determined that the proposed rule would not result in a covered unfunded mandate within the meaning of UMRA. As described throughout this proposal, the Act and this proposal provide States the option to administer a State-level regulatory regime that complies with the principles set out in this proposal. However, if a State chooses not to administer such a regime, States need not comply with any portion of this proposal. In addition, as described throughout this proposal, this proposal is generally based directly on standards set forth in the Act. To the extent that States must expend resources to meet the standards set out in these principles, such costs are generally attributable to the Act itself.

C. Providing Accountability Through Transparency Act of 2023

The Providing Accountability Through Transparency Act of 2023, 5 U.S.C. 553(b)(4), requires that a notice of proposed rulemaking include the internet address of a summary of not more than 100 words in length of a proposed rule, in plain language, that shall be posted on the website www.regulations.gov.

Treasury is proposing to issue broad-based principles to implement section 4(c) of the Act (12 U.S.C. 5903(c)) regarding substantial similarity between State-level regulatory regimes and the Federal regulatory framework for permitted payment stablecoin issuers. The proposal and the required summary can be found at https://www.regulations.gov.

[48] 2 U.S.C. 1532.
[49] 2 U.S.C. 1532.

D. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3521) states that no agency may conduct or sponsor, nor is the respondent required to respond to, an information collection unless it displays a currently valid OMB control number. This proposed rule does not contain any information collections within the meaning of the Paperwork Reduction Act. While this proposed rule provides broad-based principles for States to use to certify substantial similarity to the Stablecoin Certification Review Committee, this rule does not prescribe the form of such certifications, which will be prescribed separately by the Stablecoin Certification Review Committee pursuant to section 4(c)(4) of the Act (12 U.S.C. 5903(c)(4)).

E. Regulatory Planning and Review

OIRA has determined that this proposed rule is a significant regulatory action under Executive Order 12866 and, therefore, is subject to review under Executive Order 12866. Treasury's analysis conducted in connection with Executive Order 12866 is set forth below. This proposed rule is not anticipated to be an EO 14192 regulatory action.

Given the relative novelty of the payment stablecoin ecosystem, it is challenging to precisely quantify the costs and benefits of this proposal. In addition, Treasury's proposal seeks to apply the best interpretations of the statutory text, which limits the range of potential implementing approaches. Treasury believes that the costs of the proposal are outweighed by the benefits, as described further below, but invites comments that would help quantitatively or qualitatively analyze costs and benefits of the proposal, as well as any alternatives and their associated costs and benefits.

1. Affected Parties

Parties directly affected by this proposal are States seeking to regulate State qualified stablecoin issuers under State-level regulatory regimes. For the limited purpose of this analysis of costs and benefits, Treasury assumes that all States will seek to implement State-level regulatory regimes, though some States may choose not to do so.

This proposal does not directly affect entities other than States. Entities indirectly affected by the application of this proposal's broad-based principles include State qualified payment stablecoin issuers, parties that seek to become State qualified payment stablecoin issuers, and individuals or entities that acquire payment stablecoins issued by State qualified payment stablecoin issuers. It is difficult to know at this time how many State qualified payment stablecoin issuers may be affected. Further, the effects of these proposed broad-based principles will depend on the details of each State-level regulatory regime, which may vary widely, given the discretion provided to States under the Act and this proposal.

2. Baseline

Treasury has assessed the benefits and costs of the proposed regulations relative to a no-action baseline reflecting anticipated behavior in the absence of the proposed regulations. Once the Act becomes effective, persons will not be able to issue payment stablecoins in the United States without becoming permitted payment stablecoin issuers. The offer and sale of unlicensed stablecoins to persons located in the United States by digital asset service providers will also be unlawful starting July 18, 2028. To provide a State-level license and regulation option for payment stablecoin issuers with a consolidated total outstanding issuance of not more than $10 billion, a State must certify that its State-level regulatory regime is substantially similar to the Federal regulatory framework and must be approved by the Stablecoin Certification Review

Committee on the basis that the State's regime "meets or exceeds the standards and requirements described in [section 4(a) of the Act]."

If a State is unable to certify to substantial similarity, or unable to achieve Stablecoin Certification Review Committee approval, all payment stablecoin issuers in the State will be required either to (i) cease issuing payment stablecoins, or (ii) obtain a Federal license and comply with regulation and supervision by the primary Federal payment stablecoin regulators.

In the absence of these proposed principles, Treasury expects that States and market participants would face significant uncertainty over whether a State-level regulatory regime is substantially similar to the Federal regulatory framework. States would potentially expend significant costs through trial and error in designing regimes intended to achieve Stablecoin Certification Review Committee approval. Issuers that have, or would otherwise desire, a State license may instead expend considerable resources to obtain a Federal license. Treasury expects that the attendant uncertainty would likely significantly stifle payment stablecoin markets and innovation in the States.

3. Costs

Some States may choose not to implement State-level regulatory regimes, and this proposal will not impose any direct costs on those States.[50] States that choose to implement State-level regulatory regimes will face implementation costs including staff time to analyze the Act, the Federal regulatory framework, and part 1521 in order to understand their requirements, and regulatory and/or legislative time to write statutes, regulations, or enforceable guidance to conform to the Act, the Federal regulatory framework, and part 1521.

[50] Any costs associated with the inability of States to regulate permitted payment stablecoin issuers if they choose not to implement a substantially similar State-level regulatory regime are generally attributable to the Act and the State's choice not to implement a State-level regulatory regime, rather than to these proposed principles.

For a limited number of States that already have State-level regulatory regimes for payment stablecoins, the States may incur these costs to revise their State-level regulatory regimes to better align with the Act, the Federal regulatory framework, and part 1521. Most States do not currently have a State-level regulatory regime for payment stablecoins, and if these States choose to regulate payment stablecoins, they would need to incur costs in designing and implementing their State-level regulatory regime to comply with the Act, regardless of the principles set forth in proposed part 1521.

For many of these States, Treasury believes that part 1521 will alter the substance of the State-level regulatory regime but not materially increase the implementation costs, because the States would need to pass legislation and issue rules and guidance independent of these proposed principles. For example, in the absence of these principles, States seeking to regulate payment stablecoin issuers would still need to issue rules to implement capital requirements on State qualified payment stablecoin issuers, and incur the associated policy formulation and drafting costs, such as staff time and potentially expenditures to outside counsel or consultants. Treasury expects that its proposed principles will help narrow the issues under review and the range of options available to the State when designing a substantially similar State-level regulatory regime. For example, States will not need to expend significant time drafting regulations on reserve assets, because these principles provide that reserve requirements are a uniform requirement that must be consistent with the Federal regulatory framework in all substantive respects. More generally, the table included in Appendix A to proposed Part 1521 provides a roadmap that is expected to aid States in organizing their State-level regulatory regimes and determining which areas will require more substantive State policymaking and drafting. In this

way, this proposal may result in a modest cost savings for these States, as the staff, counsel, or consultant time may be reduced.

4. Benefits

A key benefit of part 1521 is the transparency it provides regarding whether a State-level regulatory regime is substantially similar to the Federal regulatory framework. Treasury expects that this will reduce potential frictions and concerns that could otherwise impede market activity by payment stablecoin issuers and third parties offering services to payment stablecoin providers. Therefore, Treasury expects that part 1521 will create a more favorable environment for digital asset innovation in many States, with potential economic benefits from increased innovation and payment stablecoin commercial activity. Consumers and institutions engaging with payment stablecoins may view State qualified payment stablecoin issuers operating under a "substantially similar" State-level regulatory regime more favorably than the status quo. In turn, those States may attract payment stablecoin issuers, which may contribute to more investment, jobs, and innovation.

In addition, Treasury expects that this proposal would provide benefits to both States and State qualified payment stablecoin issuers through deregulation. With the exception of certain uniform requirements under the Act, this proposal provides States with significant discretion to design their regimes in ways that are appropriately tailored for issuers in their State, including to account for the business models and size of State issuers, which may differ materially from those of Federal qualified payment stablecoin issuers. This may result in regulatory outcomes that are less burdensome than the otherwise applicable Federal regulatory framework.

5. Discretion and Alternatives

Treasury expects that the proposal's inclusion of certain regulations and interpretations in the definition of "Federal regulatory framework" will increase compliance costs for States relative to a definition that relied solely on the text of the Act. Similarly, the level of similarity required for the uniform provisions might increase costs for the States relative to providing more flexibility with respect to those provisions. However, as noted above, the Act effectively requires States to meet or exceed the requirements described in section 4(a) of the Act, and Treasury believes that the best interpretation of the Act is that the Federal regulatory framework extends beyond the statutory text of the Act itself.

Even if alternative statutory interpretations were available, Treasury believes, including based on information provided in certain comments to the ANPRM, that harmonization of the prudential elements most correlated with run risk and consumer harm will produce benefits in terms of market integrity, financial stability, and consumer protection. Treasury further agrees with one commenter on the ANPRM that relying on a more permissible "substantially similar" standard would invite interpretive drift and regulatory arbitrage that at a national and global level could produce significant flight-to-safety dynamics and price dislocations during stress periods and also complicate the U.S. government's ability to advocate for a single global standard.

Treasury does believe that the Act provides discretion on the extent to which subregulatory documents are included in the Federal regulatory framework, and Treasury believes that the costs of requiring States to monitor for and harmonize with a wide array of subregulatory guidance documents issued by the primary Federal stablecoin regulators (but not published in the Federal Register) would exceed any benefits from marginally increased harmonization. Treasury believes that including in the definition of "Federal regulatory

framework" only those documents from the primary Federal stablecoin regulators that are published in the *Federal Register* strikes an appropriate middle ground.

Question 74: What are the potential costs and benefits, if any, of the implementation of section 4(c) (12 U.S.C. 5903(c)) as proposed in part 1521, beyond costs and benefits imposed by the Act itself? To what extent does Treasury have discretion within the boundaries of the Act to further reduce costs or increase benefits?

Question 75: What are the potential advantages or disadvantages of registering under State regimes compared to Federal regimes, particularly in terms of administrative efficiency and support for innovation?

Question 76: The Act establishes federal safeguards to protect consumers. How should the economic benefits of consumer protection be measured quantitatively and qualitatively?

Question 77: What are the benefits and costs, including for implementation, compliance efficiency, and payment stablecoin market participation, from the proposed broad-based principles providing relatively clear guidance for States?

Question 78: What is the projected impact of regulatory clarity for payment stablecoins on startup formation, market investment, and product innovation?

F. Executive Order 13132

Executive Order 13132 (entitled "Federalism") prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State, local, and Tribal governments, and is not required by statute, or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive Order. This proposed rule does not have federalism implications within the meaning of the Executive Order, including for the reasons described above. Notwithstanding the above,

Treasury has engaged in efforts to consult with affected State government officials and associations in the process of developing this proposed rule. Pursuant to the requirements set forth in section 8(a) of Executive Order 13132, Treasury certifies that it has complied with the requirements of Executive Order 13132.

List of Subjects

12 CFR Part 1520

Banks, banking, Consumer protection, Digital assets, Non-bank entity, Payment stablecoins, Permitted payment stablecoin issuer, State and local governments, State qualified payment stablecoin issuer

12 CFR Part 1521

Banks, banking, Consumer protection, Digital assets, Non-bank entity, Payment stablecoins, Permitted payment stablecoin issuer, State and local governments, State qualified payment stablecoin issuer

For the reasons stated in the preamble, the Department of the Treasury proposes to amend 12 CFR chapter XV by adding subchapter C, consisting of Parts 1520 and 1521 to read as follows:

Subchapter C—Regulation of Payment Stablecoins

PART 1520—GENERAL PROVISIONS

Sec.
1520.1 Authority, purpose, and scope.

Authority: 12 U.S.C. 5901 *et seq.*

§ 1520.1 Authority, purpose, and scope.

(a) *Authority*. This subchapter is issued by the U.S. Department of the Treasury (Treasury) pursuant to various sections of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, including section 4(c) and section 13, 12 U.S.C. 5903(c) and 5913.

(b) *Purpose and scope.* The GENIUS Act tasks Treasury with issuing regulations concerning payment stablecoins. This subchapter contains Treasury's rules implementing certain provisions of the Act.

PART 1521—BROAD-BASED PRINCIPLES FOR STATE SIMILARITY

Sec.

Authority: 12 U.S.C. 5901 *et seq.*

§ 1521.1 Scope, Applicability, and Definitions.

(a) This part is issued by the U.S. Department of the Treasury to implement section 4(c) of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act (12 U.S.C. 5903(c)), establishing broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework.

(b) Unless otherwise defined in this part, the terms used in this part have the same meaning as in section 2 of the GENIUS Act (12 U.S.C. 5901).

(c) For purposes of this part, the following definitions apply:

Act or *GENIUS Act* means the Guiding and Establishing National Innovation for U.S. Stablecoins Act (12 U.S.C. 5901 et seq.).

Federal regulatory framework means, for purposes of evaluating a State-level regulatory regime under section 4(c) of the Act (12 U.S.C. 5903(c)):

(1) The text of all relevant provisions of the Act;

(2) Any interpretations thereof, or regulations thereunder, issued by the Office of the Comptroller of the Currency and published in the *Federal Register*;

(3) With respect to sections 4(a)(5) and 4(a)(6) of the Act (12 U.S.C. 5903(a)(5) and (6)), any interpretations thereof, regulations thereunder, or orders issued by the Department of the Treasury; and

(4) With respect to section 4(a)(8) of the Act (12 U.S.C. 5903(a)(8)), any interpretations thereof, regulations thereunder, or orders issued by the Board of Governors of the Federal Reserve System;

State-calibrated requirement means a requirement under section 4(a) of the Act (12 U.S.C. 5903(a)) that is applicable to a State qualified payment stablecoin issuer and for which the Act grants substantive discretion to a State payment stablecoin regulator to develop the State-level regulatory regime, as listed in Appendix A to this part.

State-level regulatory regime means, with respect to a particular State:

(1) All statutes enacted by the State regarding payment stablecoins;

(2) Any regulations regarding payment stablecoins or that apply to a State qualified payment stablecoin issuer issued by a State payment stablecoin regulator of the State or another regulator of the State; and

(3) Any interpretations thereof or guidance thereunder, only to the extent they are enforceable against State qualified payment stablecoin issuers.

Uniform requirement means a requirement under section 4(a) of the Act (12 U.S.C. 5903(a)) that is applicable to a State qualified payment stablecoin issuer and for which the Act does not grant substantive discretion to a State payment stablecoin regulator, as listed in Appendix A to this part.

§ 1521.2 Overall Broad-Based Principles.

(a) Except as otherwise provided in this part or the Act, a State qualified payment stablecoin issuer is subject to all requirements under Federal statutes, including the Act, applicable to permitted payment stablecoin issuers.

(b) To be considered substantially similar to the Federal regulatory framework, a State-level regulatory regime must:

(1) Meet or exceed the standards and requirements described in section 4(a) of the Act (12 U.S.C. 5903(a)) such that:

(i) Implementation of each of the uniform requirements in the State-level regulatory regime is consistent with the Federal regulatory framework in all substantive respects, in accordance with the requirements of this part; and

(ii) Implementation of each of the State-calibrated requirements is consistent with the applicable provisions of the Act and leads to regulatory outcomes that are at least as stringent and protective as the Federal regulatory framework;

(2) Include frameworks for transition to Federal oversight, applications and approval, and supervision and enforcement, in each case that:

(i) Are consistent with sections 4(d), 5, and 6 of the Act (12 U.S.C. 5903(d), 5904, and 5905); and

(ii) Provide for similar levels of authority and oversight over payment stablecoin issuers as provided under the Federal regulatory framework; and

(3) Include frameworks for custody and insolvency that:

(i) Are consistent with sections 10 and 11 of the Act (12 U.S.C. 5909, 5910, and 5911); and

(ii) Provide substantially similar protections for payment stablecoin holders as the Federal regulatory framework.

(c) Except as provided in the Act, a State-level regulatory regime may deviate from the Federal regulatory framework with respect to nonsubstantive matters of form or procedure while remaining substantially similar to the Federal regulatory framework.

§ 1521.3 Broad-Based Principles for Uniform Requirements under Section 4(a) of the Act.

Following are broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework with respect to the uniform requirements under section 4(a) of the Act (12 U.S.C. 5903(a)).

(a) Each of the uniform requirements listed in Appendix A to this part must be fully enforceable by the State payment stablecoin regulator against State qualified payment stablecoin issuers; and

(b) Implementation of each of the uniform requirements in the State-level regulatory regime must be consistent with the Federal regulatory framework in all substantive respects, including that:

(i) There are no material deviations in definitions or interpretations of statutory terms between the Federal regulatory framework and the State-level regulatory regime; and

(ii) Each of the uniform requirements is applied and construed in the State-level regulatory regime in a manner that does not materially narrow, condition, or limit its scope compared to the Federal regulatory framework.

§ 1521.4 Broad-Based Principles for State-Calibrated Requirements under Section 4(a) of the Act.

Following are broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework with respect to the State-calibrated requirements under Section 4(a) of the Act (12 U.S.C. 5903(a)).

(a) *Reserve Assets.* The State-level regulatory regime may allow, or may permit the State payment stablecoin regulator to allow, reserve assets not listed in section 4(a)(1)(A) of the Act (12 U.S.C. 5903(a)(1)(A)) only if such assets have been approved by the OCC as similarly liquid Federal Government-issued assets in accordance with section 4(a)(1)(A)(vii) of the Act (12 U.S.C. 5903(a)(1)(A)(vii)).

(b) *Redemption.* (1) The State-level regulatory regime may set, or may permit the State payment stablecoin regulator to set, discretionary limitations on timely redemption in accordance with section 4(a)(1)(B)(i) of the Act (12 U.S.C. 5903(a)(1)(B)(i)) only so long as those limitations are:

(i) Appropriately disclosed by the State qualified payment stablecoin issuer; and

(ii) Consistent with section 7 of the Act (12 U.S.C. 5906).

(c) *Rehypothecation.* (1) The State-level regulatory regime must prohibit rehypothecation in accordance with section 4(a)(2) of the Act (12 U.S.C. 5903(a)(2)) and consistent with the Federal regulatory framework.

(2) The State-level regulatory regime may pre-approve, or may permit a State payment stablecoin regulator to pre-approve, the use of repurchase agreements under section 4(a)(2)(C)(ii) of the Act (12 U.S.C. 5903(a)(2)(C)(ii)).

(d) *Certifications Related to Monthly Report*. The State-level regulatory regime must require and accept monthly certifications from State qualified payment stablecoin issuers in accordance with section 4(a)(3) of the Act (12 U.S.C. 5903(a)(3)) as to the accuracy of the monthly report required under section 4(a)(1)(C) of the Act (12 U.S.C. 5903(a)(1)(C)), but the form of those certifications may deviate from those promulgated by the primary Federal payment stablecoin regulators.

(e) *Capital.* (1) The State-level regulatory regime must require, in accordance with section 4(a)(4)(A)(i) of the Act (12 U.S.C. 5903(a)(4)(A)(i)), that a State qualified payment stablecoin issuer maintain common equity tier 1 capital and additional tier 1 capital, as each is defined in the Federal regulatory framework, commensurate with the level and nature of all risks to which the issuer is exposed, including risks for off-balance sheet activities, provided that any such requirement must be tailored to the business model and risk profile of a State qualified payment stablecoin issuer and must not exceed requirements that are sufficient to ensure the ongoing operations of a State qualified payment stablecoin issuer.

(2) The State-level regulatory regime must require State qualified payment stablecoin issuers to have a process for assessing their overall capital adequacy in relation to their business

model and risk profile and a comprehensive strategy for maintaining an appropriate level of capital to maintain operations.

(3) The State-level regulatory regime must require that a State qualified payment stablecoin issuer maintain an operational backstop to help ensure that during a business disruption that impacts operations, a liquid pool of identifiable assets exists to allow the issuer to meet short-term liquidity needs, stabilize the issuer after the disruption, and continue or resume normal operations. The operational backstop must require assets equal to or greater than the amount required under the Federal regulatory framework.

(4) The State-level regulatory regime must include provisions that establish consequences for issuers failing to meet the minimum capital or operational backstop requirements that meet or exceed the standard in the Federal regulatory framework.

(5) The State-level regulatory regime may establish other required capital thresholds or metrics, including additional types of capital or risk-based capital requirements, provided that it also complies with the capital requirements described in paragraphs (e)(1) through (4) of this section.

(f) *Liquidity, reserve asset diversification, and interest rate risk management.* (1) The State-level regulatory regime must require, in accordance with section 4(a)(4)(A)(ii) of the Act (12 U.S.C. 5903(a)(4)(A)(ii)), a State qualified payment stablecoin issuer to maintain its reserve assets in a way that is sufficiently diverse to manage potential credit, liquidity, interest rate, and price risks.

(2) The State-level regulatory regime will be deemed to satisfy the reserve asset diversification requirement provided in paragraph (f)(1) of this section if the State qualified payment stablecoin issuer is required to:

(i) Maintain the same or greater percentage of its reserve assets for each minimum threshold in the Federal regulatory framework;

(ii) Maintain the same or lower percentage of its reserve assets for each maximum threshold in the Federal regulatory framework; and

(iii) Maintain reserve assets with a weighted average maturity equal to or lower than the threshold in the Federal regulatory framework.

(3) The State-level regulatory regime must require, in accordance with section 4(a)(4)(A)(iii) of the Act (12 U.S.C. 5903(a)(4)(A)(iii)), that a State qualified payment stablecoin issuer has standards for interest rate risk management that are consistent with the Federal regulatory framework.

(4) The State-level regulatory regime must include provisions that establish consequences for State qualified payment stablecoin issuers that fail to meet the reserve asset requirements that meet or exceed the standard in the Federal regulatory framework.

(5) The State-level regulatory regime may establish other required liquidity, diversification, or interest rate risk thresholds or metrics, provided that it also complies with the requirements described in paragraphs (f)(1) through (4) of this section.

(g) *Operational, compliance, information technology risk management.* The State-level regulatory regime must, in accordance with section 4(a)(4)(A)(iv) of the Act (12 U.S.C. 5903(a)(4)(A)(iv)), establish appropriate operational, compliance, and information technology risk management principles-based requirements and standards, including Bank Secrecy Act and sanctions compliance standards, that:

(1) Lead to regulatory outcomes that are at least as stringent and protective as the principles-based requirements and standards in the Federal regulatory framework;

(2) Are tailored to the business model and risk profile of State qualified payment stablecoin issuers;

(3) Are consistent with applicable law; and

(4) Address, at a minimum, internal controls, information security, information systems, an internal audit system, asset growth, earnings, insider and affiliate transactions, and service provider arrangements.

(h) *Activities.* (1) Subject to paragraph (h)(2) of this section, a State-level regulatory regime may not authorize State qualified payment stablecoin issuers to engage in any activities that are not specified in section 4(a)(7)(A) of the Act (12 U.S.C. 5903(a)(7)(A)).

(2) A State-level regulatory regime may authorize State qualified payment stablecoin issuers to engage in activities not specified in section 4(a)(7)(A) of the Act (12 U.S.C. 5903(a)(7)(A)), only to the extent that:

(i) Such activities are:

(A) Incidental to the activities specified in section 4(a)(7)(A) of the Act (12 U.S.C. 5903(a)(7)(A));

(B) Digital asset service provider activities specified in section 2(7) of the Act (12 U.S.C. 5901(7)) or activities incidental thereto; or

(C) Activities specified in sections 16(a) or 16(d) of the Act (12 U.S.C. 5915(a), (d));

(ii) Such activities are authorized by Federal or State law other than the Act;

(iii) Such activities are consistent with all other Federal and State law; and

(iv) The claims of payment stablecoin holders rank senior to any potential claims of non-stablecoin creditors with respect to the reserve assets, consistent with section 11 of the Act (12 U.S.C. 5910 and 5911).

(3) For the avoidance of doubt, a State-level regulatory regime must prohibit State qualified payment stablecoin issuers from engaging in any activities prohibited under the Act, including the prohibition on rehypothecation in section 4(a)(2) of the Act (12 U.S.C. 5903(a)(2)), the prohibition on the use of deceptive names in section 4(a)(9) of the Act (12 U.S.C. 5903(a)(9)), the prohibition against misrepresenting insured status in section 4(e) of the Act (12 U.S.C. 5903(e)), and the prohibition on paying interest or yield in section 4(a)(11) of the Act (12 U.S.C. 5903(a)(11)).

§ 1521.5 Broad-Based Principles for Other Provisions of the GENIUS Act.

Following are broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework with respect to sections 4(d), 5, 6, 10, and 11 of the Act (12 U.S.C. 5903(d), 5904, 5905, 5909, 5910, and 5911).

(a) *Transition to Federal Oversight.* The State-level regulatory regime must include provisions regarding the transition by State qualified payment stablecoin issuers to Federal oversight contemplated by section 4(d) of the Act (12 U.S.C. 5903(d)) that are consistent with the Federal regulatory framework.

(b) *Applications and licensing.* The State-level regulatory regime must establish a framework similar to section 5 of the Act (12 U.S.C. 5904) for accepting applications from potential State qualified payment stablecoin issuers that addresses, at a minimum, the content required in an application and the factors upon which the State payment stablecoin regulator will render a decision on the application. Except as provided in the Act or elsewhere in this part, the State-level regulatory regime for applications and licensing may deviate from the timeframes, forms, reporting requirements, and other procedures in the Federal regulatory framework. The

State-level regulatory regime must also require the post-application and annual certifications required under section 5(i) of the Act (12 U.S.C. 5904(i)).

(c) *Supervision and enforcement.* The State-level regulatory regime must appropriately provide the State payment stablecoin regulator with similar authority over State qualified payment stablecoin issuers as the Federal regulatory framework provides over Federal qualified payment stablecoin issuers, consistent with section 6 of the Act (12 U.S.C. 5905), to license, supervise, examine, obtain reports, impose conditions, and take enforcement actions. Except as provided in the Act or elsewhere in this part, the State-level regulatory regime for supervision and enforcement may deviate from the timeframes, forms, reporting requirements, and other procedures in the Federal regulatory framework.

(d) *Custody.* The State-level regulatory regime must establish conditions on custody that are consistent with section 10 of the Act (12 U.S.C. 5909).

(e) *Insolvency.* To the extent that State qualified payment stablecoin issuers may be subject to insolvency proceedings under State law, the State-level regulatory regime must be consistent with section 11 of the Act (12 U.S.C. 5910 and 5911).

§ 1521.6 Broad-Based Principles for Additional State Requirements.

Following are broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework to the extent that the State-level regulatory regime imposes additional requirements on State qualified payment stablecoin issuers beyond those in the Federal regulatory framework.

(a) *Additional State Requirements.* The State-level regulatory regime may impose additional restrictions or requirements on State qualified payment stablecoin issuers, so long as:

(1) such restrictions or requirements do not conflict with any provision of the GENIUS Act, this part, or other applicable Federal law;

(2) the restrictions or requirements do not modify the State-level regulatory regime such that it can no longer be reasonably viewed as substantially similar to the Federal regulatory framework.

(b) [Reserved]

§ 1521.7 Severability.

The provisions of this part are separate and severable from one another. If any provision, clause, or phrase of this part, or the application thereof to any person, entity, or circumstance, is stayed or determined to be invalid, unlawful, or unenforceable by a court of competent jurisdiction, such determination shall not affect the validity, lawfulness, or enforceability of the remaining provisions or applications of this regulation, which shall remain in full force and effect to the maximum extent permitted by law.

Appendix A to Part 1521—Mapping of GENIUS Act Sections to Part 1521 Principles

GENIUS Act Section	**Topic**	**Uniform or State-Calibrated Requirement**	**Corresponding Part 1521 Principles**
4(a)(1)(A), except as noted below	Reserve assets	Uniform	§ 1521.3
4(a)(1)(A)(vii)	Additional reserve assets	State-calibrated	§ 1521.4(a)
4(a)(1)(B), except as noted below	Redemption	Uniform	§ 1521.3
4(a)(1)(B)(i)	Discretionary limitations on timely redemptions	State-calibrated	§ 1521.4(b)
4(a)(1)(C)	Monthly publication of reserves	Uniform	§ 1521.3
4(a)(2), except as noted below	Prohibition on rehypothecation of reserves	Uniform	§ 1521.3
4(a)(2)(C)(ii)	Approval for rehypothecation of reserves	State-calibrated	§ 1521.4(c)
4(a)(3)(A), (C)	Independent accountant examination of reports	Uniform	§ 1521.3

4(a)(3)(B)	Monthly CEO/CFO certification of accuracy of reserve report	State-calibrated	§ 1521.4(d)
4(a)(4)	Capital, liquidity, reserve asset diversification, and risk-management standards	State-calibrated	§ 1521.4(e)–(g)
4(a)(5)	Bank Secrecy Act/sanctions compliance program requirements	Uniform	§ 1521.3
4(a)(6)(B)	Technological capability to comply with, and obligation to comply with, terms of lawful orders	Uniform	§ 1521.3
4(a)(7)(A)	Limitation on permitted payment stablecoin activities	Uniform	§ 1521.3
4(a)(7)(B)	Additional permitted payment stablecoin activities	State-calibrated	§ 1521.4(h)
4(a)(8)	Prohibition on tying	Uniform	§ 1521.3
4(a)(9)	Prohibition on deceptive names	Uniform	§ 1521.3
4(a)(10)	Audits and reports	Uniform	§ 1521.3
4(a)(11)	Prohibition on paying interest/yield on stablecoins	Uniform	§ 1521.3
4(a)(12)	Limits on non-financial public companies (and certain foreign companies) issuing stablecoins	Uniform	§ 1521.3
4(d)	Transition to Federal oversight	N/A	§ 1521.5(a)
5	Application and approval	N/A	§ 1521.5(b)
6	Supervision and enforcement	N/A	§ 1521.5(c)
10	Custody	N/A	§ 1521.5(d)
11	Insolvency	N/A	§ 1521.5(e)

Rachel Miller,

Executive Secretary