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BLOG

Real GENIUS: Landmark U.S. Federal Payment Stablecoin Legislation

JULY 21, 2025

On July 18, 2025, President Donald Trump signed into law the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 (the GENIUS Act or the Act), following its bipartisan passage by the Senate on June 17 (68–30) and the House on July 17 (308–122). This landmark legislation establishes the first federal regulatory framework for "payment stablecoins" in the United States, ushering in a new era of legal clarity for digital assets designed to maintain a stable value. The GENIUS Act creates a comprehensive oversight regime for stablecoin issuers, imposes stringent prudential standards to protect consumers and financial stability, and seeks to integrate stablecoins into the mainstream financial system while preserving U.S. competitiveness and the primacy of the U.S. dollar. This Winston & Strawn Client Alert provides a detailed analysis of key provisions of the GENIUS Act and discusses the potential impact on the financial services industry.

WEBINAR

Join our Digital Assets Group webinar on July 23 as we further unpack the Act.

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I. KEY TAKEAWAYS

- **First Federal Digital Asset-Specific Framework**: The GENIUS Act is the first U.S. law to directly regulate digital assets. It provides a unified national framework for "payment stablecoins," defined as digital tokens pegged to fiat currency value and intended for use as payment or settlement. The passage of the GENIUS Act into federal law reflects a broad bipartisan consensus that stablecoins have moved into mainstream finance and merit dedicated federal oversight.
- **Licenses Required to Issue Stablecoins**: After a transition period, it will be unlawful to issue a payment stablecoin in the U.S. unless the issuer is a "Permitted Payment Stablecoin Issuer" (PPSI) under the Act or falls under a narrow exception. Permitted issuers can be regulated under a new federal license (Federal Qualified Payment Stablecoin Issuers) or a qualifying state regime (State Qualified Payment Stablecoin Issuers) subject to baseline federal standards. This dual pathway is intended to balance state flexibility with federal uniformity while preventing regulatory arbitrage.

- **Robust Prudential Standards**: The Act mandates full 1:1 reserve backing of all stablecoin liabilities with high-quality liquid assets (cash, Federal Reserve balances, short-term Treasuries, etc.), segregated and unencumbered. Issuers must honor prompt redemption at par for all tokens and are prohibited from paying interest or any yield on payment stablecoins to holders. They also face strict monthly disclosure and audit requirements, executive officer certifications of reserves, and enhanced oversight if large in scale. These measures reflect the evolution of the GENIUS Act from its origins as a "lighter touch" framework into the more robust framework that was ultimately enacted into law, which incorporates many of the prudential safeguards found in traditional banking regulation.

- **Scope of Activities and Restrictions**: Permitted issuers are generally restricted to the core business of issuing and redeeming stablecoins and managing reserves. The Act forbids "tying" arrangements (forcing customers to buy other products as a condition to obtain stablecoins) and bars non-financial commercial firms from issuing stablecoins absent special approval, reinforcing the separation of banking and commerce. Issuers cannot misleadingly market stablecoins as government-backed or insured, ensuring consumers understand these are private digital cash equivalents without federal guarantees.

- **Federal and Extraterritorial Reach**: The Act has explicit extraterritorial effect. It applies to any stablecoin offered or sold to persons in the U.S., even by foreign issuers. To be allowed to enter or remain in the U.S. market, foreign stablecoin issuers must register with the Office of the Comptroller of the Currency (OCC) (a U.S. federal banking agency), meet regulatory standards in its home jurisdiction that are determined to be "comparable" to the U.S. framework, and generally maintain U.S.-based reserves sufficient to cover potential redemptions by U.S. holders, to be allowed in U.S. markets. Issuers from jurisdictions under U.S. sanctions or with deficient anti-money laundering (AML) controls are categorically ineligible. These provisions mean that a limited number of foreign jurisdictions are likely to qualify as "comparable," with the effect of excluding from the U.S. market any issuers based in those jurisdictions.

- **Rulemaking:** Federal financial regulatory agencies – the OCC, Board of Governors of the Federal Reserve System (Federal Reserve), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), in coordination with the U.S. Department of the Treasury (Treasury) – and state financial regulatory agencies are directed by the Act to promulgate implementing regulations within one year of enactment (i.e., by July 18, 2026).

- **Effective Date:** On the earlier of January 18, 2027, or 120 days after the federal regulators issue final implementing regulations (the Effective Date), the GENIUS Act's central prohibitions on issuer-related activity take effect, meaning all payment stablecoin issuers that are not PPSIs must cease issuing payment stablecoins in the United States. Beginning July 18, 2028, digital asset service providers (DASPs) are prohibited from offering or selling any payment stablecoins issued by non-PPSIs to a person in the United States.

- **Enforcement**: After the Effective Date, stiff penalties may apply to issuers and DASPs that issue, support, or otherwise facilitate noncompliant payment stablecoin activity in the United States. Violations of the GENIUS Act may result in civil fines of up to $100,000 per day per violation, or $200,000 per day in cases involving willful noncompliance. The Act imposes criminal liability for certain willful violations, including knowing fraud, false statements to regulators, or deliberate circumvention of the Act's licensing regime. Individuals found guilty may face up to five years' imprisonment, fines of up to $1 million, or both. The Act expressly applies criminal liability not only to entities but also to their officers, directors, employees, agents, and control persons.

II. WHAT IS A "PAYMENT STABLECOIN"?

- **Definition**: The GENIUS Act defines a "payment stablecoin" as any digital asset designed to be used as a means of payment or settlement where the issuer (1) is obligated to convert or redeem the asset for a fixed amount of monetary value (e.g. $1.00) and (2) represents that it will maintain a stable value relative to a fiat currency or other fixed value. In plain terms, these are tokenized monetary instruments intended to function like an electronic dollar (or other fiat unit) for transactions.

- **Exclusions**: Critically, the Act carves out certain instruments from this definition. A payment stablecoin does not include: (i) any national currency (e.g. physical cash or central bank digital currency), (ii) a "deposit" (including tokenized deposits issued by banks), or (iii) any digital asset classified as a security. The Act also effectively prohibits algorithmic stablecoins for the foreseeable future.

- **Legal Status**: The Act explicitly provides that GENIUS-compliant payment stablecoins will not be treated as a regulated investment security (meaning there is no requirement to register with the Securities and Exchange Commission (SEC)) or as a commodity (which, in certain situations, may come under the oversight of the Commodity Futures Trading Commission (CFTC)). The ban on paying interest or other yield (discussed below) reinforces this status by avoiding the "expectation of profit" element of the *Howey* test for securities. Together, these provisions ensure that primary regulatory responsibility lies with banking agencies and not market regulators, so long as the stablecoin operates within the Act's confines.

III. WHO CAN ISSUE STABLECOINS: PERMITTED PAYMENT STABLECOIN ISSUERS

The GENIUS Act makes it unlawful for any person to issue a payment stablecoin in the United States unless they are a "Permitted Payment Stablecoin Issuer" (PPSI) duly authorized under the Act (or they qualify for a very limited exemption).

- **Categories of Permitted Issuers**: The Act provides three primary categories of PPSIs, all of which must be legal entities organized under U.S. law:
  - IDI Subsidiaries: The first category of PPSI covers subsidiaries of insured depository institution (IDIs) that are authorized by their parent bank's federal regulator to issue payment stablecoins. This allows traditional banks and credit unions to utilize affiliates for stablecoin activity. The parent bank's primary regulator (Federal Reserve, OCC, FDIC, or NCUA, depending on the institution) must approve and supervise the stablecoin-issuing subsidiary. Notably, the Act has a provision to avoid double counting of assets for regulatory capital purposes, avoiding potentially punitive regulatory capital treatment for banks that engage in stablecoin issuance through affiliates.
  - Federal Qualified Payment Stablecoin Issuers: The second category of PPSI covers nonbank entities that become federally-licensed stablecoin issuers by obtaining a charter or license from the OCC under the Act. This category includes uninsured national trust banks, as well as other nonbank companies approved directly by the OCC to issue payment stablecoins. It also explicitly includes federal branches of foreign banks that are approved by the OCC to issue stablecoins. All such federal issuers will be supervised by the OCC (except IDI subsidiaries which have other regulators, as noted). In practical terms, the Act is creating a special-purpose federal license for stablecoin issuers.
  - State Qualified Payment Stablecoin Issuers: The third category of PPSI covers nonbank entities that become state-licensed stablecoin issuers by obtaining a charter or license from a state financial regulator. These entities can operate under state law *if* their home state regulatory regime is certified as "substantially similar" to the federal standards and thus approved by the new interagency Stablecoin Certification Review Committee (SCRC) (discussed below). These state-qualified issuers must not be an IDI or subsidiary thereof, and must remain relatively small (below $10 billion in outstanding stablecoins) unless they transition to federal oversight (though there is a waiver process to remain under state supervision). State issuers enjoy primary supervision by their state regulator, but with federal oversight and backup enforcement authority in certain exigent cases. This dual system is designed to give some level of recognition and autonomy to state regimes (such as New York's BitLicense or Wyoming's SPDI framework), but under the condition that state rules meet minimum federal benchmarks to avoid a "race to the bottom" effect and regulatory arbitrage.
- **Non-Financial Corporate Issuers – Prohibited Without Special Approval**: One notable restriction is that a "non-financial services" commercial company (a public company not primarily engaged in financial activities) cannot issue a payment stablecoin *at all* unless the SCRC unanimously determines that the firm's stablecoin business would pose no undue risk to the financial system. This is aimed at Big Tech or large retail corporations, reflecting concerns of some policymakers.
- **Stablecoin Certification Review Committee (SCRC)**: To administer the state-federal framework and certain approvals, the Act establishes the SCRC, a 3-member interagency panel comprised of the Secretary of the Treasury (as Chair), the Federal Reserve Chair (or Vice Chair for Supervision), and the FDIC Chair. The SCRC must set criteria (via rulemaking with Treasury) for evaluating whether a state's stablecoin oversight regime is "substantially similar" to the federal requirements. States that wish to license stablecoin issuers must apply for certification, and the SCRC must approve or deny the request (unanimously) within 30 days. Certifications must be

renewed annually. If a state loses certification (or never seeks it), any issuers in that state cannot operate beyond that state's borders unless they automatically become subject to OCC regulation as federal issuers. SCRC is directed to fast-track certifications for states that already have prudential digital asset rules, which favors early-mover states (New York, likely Wyoming, and possibly other states) in continuing to oversee stablecoin firms, provided their rules align with the federal baseline. Additionally, the SCRC must unanimously approve any waiver requested by a large state-chartered issuer that grows beyond $10 billion outstanding to remain under state supervision. Without a waiver, crossing that threshold triggers a mandatory transition to federal regulation within 360 days (i.e., the issuer must obtain an OCC license or cease new issuances).

IV. PRUDENTIAL REQUIREMENTS FOR STABLECOIN ISSUERS

The GENIUS Act imposes a bank-like prudential regime on all PPSIs, covering reserves, redemption, disclosures, permissible activities, and risk management. These requirements draw heavily from traditional safety-and-soundness principles.

A. Reserve Backing and Asset Restrictions

- Full Reserve and Eligible Assets: Every payment stablecoin must be fully backed at all times by a reserve of high-quality, liquid assets equal to at least 100% of outstanding stablecoin value. The statute defines a narrow list of eligible reserve assets, which include: U.S. currency (cash) and balances held at Federal Reserve Banks, demand deposits at insured banks or credit unions, short-term U.S. Treasury securities (93 days or less maturity), certain overnight Treasury repos, and shares in government money market funds holding primarily Treasuries. Riskier or illiquid assets (e.g. corporate debt, longer-term bonds, equities, Bitcoin and other digital assets) cannot count toward reserves.
- Segregation and Custody: Reserve assets must be segregated from the issuer's own assets and held with regulated financial institutions. Issuers are prohibited from pledging or lending out their reserve assets, except in very narrow regulator-approved contexts that do not impair liquidity. This effectively forces a true reserve that is always available to satisfy redemption.
- No Algorithmic or Unsupported Stablecoins: By requiring full backing in specified assets, the Act effectively prohibits algorithmic stablecoins or other self-referential token structures that attempt to maintain a peg without 1:1 backing. The law explicitly states that a stablecoin that does not maintain a one-to-one reserve backing in approved assets cannot be considered a payment stablecoin under the Act.

B. Redemption Rights and Obligations

The combination of full reserves and guaranteed redemption means that a GENIUS Act stablecoin is structured to function much like a deposit in terms of stability, but with minor legal alterations to the surrounding framework to recognize the differences between tokenized deposits and payment stablecoins. These provisions are aimed at preventing runs and maintaining public confidence.

- Par Redeemability: A cornerstone of the Act is the requirement that issuers must honor redemption of stablecoins on demand, at par value. Every PPSI must establish and publicly disclose a clear redemption policy assuring holders they can convert their stablecoins to fiat currency promptly without delay.
- No Redemption Freezes Without Approval: The Act prohibits an issuer from unilaterally suspending or delaying redemptions except with advance approval by its primary regulator. An issuer cannot simply halt withdrawals in a crisis unless regulators agree such actions are warranted by exceptional circumstances. This provision guards against the kind of sudden freezes or gates that occurred in past money market-related stress events.

C. Transparency: Reporting and Disclosures

The Act includes several provisions that are aimed at creating a more transparent stablecoin market where users and regulators can readily verify that each token is fully backed and readily redeemable.

- Monthly Reserve Reports: All permitted issuers must publish monthly reports detailing the composition and value of their reserve assets. These reports must be certified for accuracy by the CEO and CFO of the issuer (or equivalent officers) under penalty of law. This executive certification adds personal accountability and elevates what are currently voluntary disclosures into a legal compliance matter.

- Annual Audits for Large Issuers: Any issuer with over $50 billion in stablecoins outstanding faces enhanced disclosure requirements. These issuers must prepare annual audited financial statements in accordance with U.S. GAAP and have the audit performed by a PCAOB-registered accounting firm. In practice, this mirrors the rigor applied to public companies in terms of financial reporting.
- Public Redemption Terms and Fee Disclosures: The Act mandates that issuers provide clear, plain-language disclosures of any fees or conditions on buying or redeeming stablecoins, and publish their redemption policies prominently. It also prohibits any marketing that could mislead users into believing the stablecoin is official U.S. money or has government backing. For example, an issuer cannot use names or symbols that imply the coin is “FDIC-insured” or guaranteed by the Treasury.

D. Limitations on Permissible Activities

The GENIUS Act limits what activities a licensed stablecoin issuer can engage in. This ring-fencing is designed to insulate stablecoin operations from other activities that could introduce risk. However, this may also make the business less economically attractive. A strategic implication is that firms seeking to engage in activities other than stablecoin issuance and reserve management may opt for another type of license or charter entirely, such as an OCC national trust bank charter.

- Business Scope: Under the Act, a PPSI’s activities are generally confined to issuing and redeeming the stablecoin, managing the reserve assets, and providing custodial services for the stablecoin itself and for the reserve assets. Notably, issuers are *not* allowed to engage in other digital asset activities such as brokerage, lending, staking, custody for digital assets other than stablecoins, or running a trading platform. This may also steer firms that want to offer broader services toward different licensure options, such as OCC national trust bank charters, that authorize that a wider range of permissible activities.
- No Interest or Yield to Holders: One of the most controversial provisions in the Act is the prohibition on paying any form of interest, dividend, or “yield” to stablecoin holders for merely holding the token. This means a stablecoin issuer cannot distribute profits from reserve investments to users, nor can it incentivize holding with rewards. This is a significant strategic constraint – it means stablecoin issuers cannot share any earnings from the float with customers, putting them at a competitive disadvantage against banks that pay interest on deposits.
- Anti-Tying Rule: The Act forbids tying arrangements whereby a customer must buy another product or service from the issuer (or an affiliate) to get access to the stablecoin. This is a concept borrowed from banking law and is meant to prevent anti-competitive practices. When combined with the no-interest rule and limited activities, the effect is to make PPSIs very narrowly focused on that one activity.
- Data on Stablecoin Transactions: PPSIs cannot use or monetize nonpublic personal data from stablecoin transactions without consent. This prevents issuers from exploiting user transaction data (for advertising or other commercial purposes) in ways that banks generally would be prohibited from doing under privacy laws.

E. Capital, Liquidity, and Risk Management

The Act does not itself spell out detailed capital or liquidity ratios, but it directs regulators to develop tailored requirements. The clear intent is to ensure stablecoin issuers remain financially robust without duplicating bank rules that would be ill fitting for PPSIs.

- Capital Standards: The primary regulators of PPSIs must prescribe capital adequacy standards appropriate to stablecoin issuers’ business models. Unlike banks, stablecoin issuers do not take on credit risk (since they cannot lend out the reserves, as banks do with assets in deposit accounts), and market risk is limited (since the Act limits reserves to specific high-quality assets). Under GENIUS, the rulemakings that impose regulatory capital minimums will likely focus on operational risk and covering expenses in a wind-down scenario. Importantly for IDI subsidiary issuers, since the Act forbids double-counting capital at the parent level, this may encourage banking organizations to use subsidiaries for stablecoin issuance.

- Liquidity Requirements: Given the full-reserve mandate, liquidity risk management for stablecoins under the GENIUS Act is primarily about being able to meet redemption demands quickly. The Act's reserve composition rules already ensure assets are highly liquid, but regulators may still impose liquidity risk management standards. Regulators could also limit concentration risk (e.g., not putting all reserves in one bank) and require contingency funding plans. The goal of these requirements, which will be filled out through rulemakings, is to make sure an issuer can meet surges in redemption (analogous to a bank run scenario) without fire-selling assets or disrupting markets.

- Operational Resilience and Technology: The Act does not enumerate any specific cybersecurity requirements, but it brings stablecoin issuers under the federal banking supervisory umbrella which includes robust cybersecurity standards. Thus, the responsible agencies will impose on stablecoin issuers the types of operational risk standards they have for banks, including for cybersecurity, business continuity planning, vendor risk management, and other related areas. Firms should anticipate rigorous examinations of these areas once regulators begin oversight.

- BSA/AML and OFAC Compliance: All stablecoin issuers are deemed "financial institutions" under the Bank Secrecy Act (BSA) and must implement full anti-money laundering and countering the financing of terrorism (AML/CFT) compliance programs. This includes registration with the Financial Crimes Enforcement Network (FinCEN), know-your-customer (KYC) procedures, filing suspicious activity reports (SARs), and conducting sanctions screening in accordance with the requirements set by the Office of Foreign Assets Control (OFAC). A unique challenge is that stablecoins can circulate peer-to-peer on public blockchains beyond the direct oversight of the issuer. Issuers will need to use advanced blockchain analytics to monitor illicit activity involving their stablecoins. Critically, the Act is ambiguous on how far the transaction monitoring obligation extends beyond the stablecoin issuer's direct customers (i.e., how many "hops" must be monitored).

- Freeze and Seizure Compliance: Under the GENIUS Act, issuers must maintain the technical capability to promptly comply with any court order or government directive to freeze, block, or burn stablecoins (or wallet addresses). While the Act does not mandate how this must be achieved, in practice issuers may need to include smart contract features to have the ability to halt transfers of stablecoins if required by governmental authorities. This requirement also extends to foreign issuers seeking U.S. access.

In sum, the Act pushes stablecoin issuers into a regulatory regime similar to that of banks. For many firms, this means a need to hire compliance officers, invest in risk management systems, and potentially partner with experienced regulated institutions to meet the standards set by Congress.

V. OTHER NOTABLE PROVISIONS AND CLARIFICATIONS

Beyond the core issuer framework, the GENIUS Act addresses several ancillary issues that have been hot topics in the digital asset regulatory debate.

- "Passporting" Effect on State Money Transmission and Virtual Currency Laws: The Act provides that a PPSI is not subject to state money transmitter or virtual currency licensing requirements, at least to the extent of its stablecoin activities. In other words, PPSIs can operate nationwide without needing 50+ separate state licenses. However, this "passporting" regime applies only to payment stablecoin activities, not to other activities. This dynamic has strategic implications for firms that offer products and services that require state money transmission and virtual currency licenses, but fall outside the coverage of the GENIUS Act's "passporting" regime, such as digital asset custody. This dynamic may incentivize these firms to pursue OCC national trust bank charters, which authorize stablecoin-related activities and also digital asset custody and ancillary services (among other activities) and have the benefit of full federal preemption of state money transmission and virtual currency licensing requirements.

- No Federal Reserve Account Guarantee: The Act pointedly does not grant nonbanks any right to a Federal Reserve master account, which is a type of account that provides direct access to the Federal Reserve's payment system and the ability to hold reserves there. This means the Federal Reserve retains full discretion on whether a stablecoin issuer (particularly a nonbank one) can get a master account and deposit its reserves directly at the Federal Reserve. For now, this means most nonbank stablecoin issuers will still need bank partners to hold their dollar reserves.

- Stablecoin Holder Bankruptcy Priority: In a significant protection, the Act amends the insolvency laws to provide that holders of a payment stablecoin have first priority claim in any bankruptcy or receivership of the issuer, ahead of all other creditors, up to the amount of the reserves. This means if an issuer were to fail, the stablecoin holders should be made whole from the reserve before other creditors. The Act also calls for regulators to study and report on how stablecoin issuers might be resolved in insolvency, including whether new mechanisms are needed for an orderly wind-down.
- Off-Balance Sheet Treatment for Custodied Assets: The Act answers a major question for banks dealing with digital assets. It prohibits federal regulators from requiring that digital assets held in custody be counted as assets or liabilities on the custodian's balance sheet. This directly rebukes the SEC's now-rescinded Staff Accounting Bulletin No. 121 (SAB 121), which had controversially forced banks and others to put digital assets held in custody on their balance sheet (with a matching liability), which was punitive for regulatory capital calculations and discouraged entering the market. With the GENIUS Act, Congress is ensuring that traditional custody treatment applies: if a bank or trust company simply holds digital assets (including stablecoins) as an agent or custodian for clients, those are not considered the institution's own assets for regulatory capital purposes. This removes a significant regulatory hurdle and opens the door for banks to expand into digital asset custody services.
- Explicit Authorization to Use Blockchain: The Act formally authorizes federally regulated banks and credit unions to use distributed ledger technology (DLT, i.e. blockchain) for recording transactions and issuing tokenized deposits. While regulators had never outright banned using blockchain, there was legal uncertainty if core banking on a public or private ledger was permissible. The Act dispels that doubt by saying that DLT systems can serve as a system of record, subject to the normal safety and soundness oversight. This is a green light for banks to pursue projects like tokenized deposits or blockchain-based payment networks within the regulated framework.
- Extraterritorial Reach and Foreign Issuer Regime: Once the Act is in effect, any stablecoin offered to a U.S. person falls under the Act's prohibitions unless the stablecoin is issued by either a PPSI or a foreign issuer that meets U.S.-defined standards. Treasury, with SCRC input, will determine which foreign regulatory regimes are sufficiently equivalent. This will involve analyzing whether the other country enforces similar rules to those included within the Act such as reserve rules, redemption rights and the prohibition on the payment of interest. In addition, the foreign issuer must register with the OCC and consent to U.S. jurisdiction and supervision. If a foreign issuer does not meet these criteria, U.S. exchanges and custodians will be forbidden from handling the foreign issuer's stablecoins after the three-year grace period expires. The Act gives Treasury powerful tools to enforce this prohibition, including the ability to designate non-compliant foreign stablecoins and ban U.S. platforms from transacting in them, with penalties up to $1 million per day for violations. The global impact of this extraterritorial reach is significant, as it positions the U.S. as an international standard-setter for stablecoins globally.
- Relation to Broader Crypto Legislative Efforts: The GENIUS Act was passed during what lawmakers dubbed "Crypto Week" in Washington, D.C. Simultaneously, the House of Representatives passed the CLARITY Act, which would create a structural framework for digital assets other than stablecoins. Notably, the House of Representatives proposed minor changes to the GENIUS Act in the CLARITY Act. For example, the proposed amendments would revise the definition of "digital asset service provider" and revise the Act's activities limitation to allow a PPSI to engage in certain additional activities with regulatory approval. Whether these amendments become law will depend on the Senate. For now, the GENIUS Act stands as enacted without those changes, but industry participants should be aware that further refinements to the GENIUS Act regime are possible.

VI. STRATEGIC IMPLICATIONS AND NEXT STEPS

The enactment of the GENIUS Act is a watershed moment for the digital asset industry, cementing stablecoins' status as a legitimate part of the financial system but also imposing bank-like oversight that will transform how issuers operate. Existing stablecoin issuers, aspiring entrants (including start-ups, payment firms, and traditional banks), exchanges, and custodians need to assess the impact of the GENIUS Act and revise business strategies accordingly.

- Existing Issuers: Companies currently issuing stablecoins must evaluate which licensing path to pursue. They effectively have up to 18 months before the GENIUS Act's prohibition comes into effect and unlicensed issuance becomes unlawful. Options include applying for the new OCC stablecoin license, partnering with a bank to issue via an IDI subsidiary, or seeking a state regime that will be certified (if the firm's home state has a framework, such as New York or Wyoming). Each option carries different regulatory burdens and business model implications. Existing foreign issuers serving U.S. customers should consider if they can meet the "comparability" test to be allowed to remain in the U.S., or if establishing a U.S.-regulated affiliate is necessary.

- Business Model Revisions: The Act's constraints (no lending, no interest to users, limited activities) may force issuers to re-think their business models and licensing strategies. Issuers that relied on investing reserve funds in riskier assets for yield will now be confined to safer assets with lower returns. There could be a competitive divergence: some issuers might double down on being pure stablecoin issuers under GENIUS, while others could pivot to become OCC-chartered national trust banks to offer a broader suite of products and services including custody, trading, and staking alongside stablecoins.
- Traditional Financial Institutions: Big banks and payment companies are viewing the GENIUS Act as a green light to enter the digital asset space in a controlled manner. The certainty of a federal framework and the elimination of ambiguities lowers barriers, and in the near future major banking organizations could leverage the IDI subsidiary option to launch their own stablecoins for settlement uses.
- Global Ripple Effects: The U.S. asserting leadership in stablecoin regulation will have global repercussions. Other jurisdictions may feel pressure to align with elements of the GENIUS Act to have a potential "comparability" determination made, allowing issuers based in their jurisdiction to continue to have access to the U.S. market. Although the GENIUS Act's restrictions may lead to some firms reprioritize and focus exclusively on non-U.S. markets, expect most firms to comply and adapt.
- Regulatory Engagement and Rulemaking: With regulators now on the clock to write implementing rules within a year, stakeholders have an opportunity to influence how the Act's provisions are interpreted. The industry should prepare to submit comments on issues like capital requirements (ensuring they are right-sized), the scope of activities an issuer may engage in, or clarifying ambiguous compliance points (such as how many "hops" from the initial holder of a stablecoin the issuer's transaction monitoring system must cover). Businesses should monitor these rulemakings closely, as they will fill in details critical to operational planning.

VII. CONCLUSION

The GENIUS Act represents a historic milestone in U.S. financial law as the first time Congress has passed a comprehensive statute on digital assets. It brings stablecoins from legal limbo into a structured framework broadly resembling banking regulation, while still aiming to foster innovation. For the digital asset industry, the bar has been raised: compliance, risk management, and regulatory strategy are now paramount. Those who adapt and engage constructively with this new regime have the chance to legitimize and expand stablecoin use cases, from faster payments to cross-border transfers and beyond.

Winston & Strawn's Digital Assets Practice will continue to monitor the implementation of the GENIUS Act and forthcoming regulations. We are actively advising clients on how to navigate this new landscape. With extensive experience in digital asset regulation, bank chartering, including national trust bank chartering, and traditional prudential banking regulation, our team is uniquely positioned to help stablecoin issuers, banks, exchanges, custodians, and investors develop compliance roadmaps, evaluate licensing options, and engage with regulators as the GENIUS Act era begins. Please reach out to your Winston contact for further information or assistance.

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