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First U.S. Cryptocurrency Stablecoin Regulation Act Becomes Law

Executive Summary

On July 18, the "GENIUS Act of 2025" (for "Guiding and Establishing National Innovation for U.S. Stablecoins of 2025"), a bill to regulate cryptocurrency stablecoins (the "GENIUS Act") was signed into law after substantially bipartisan approval by Congress. A copy of the GENIUS Act can be found [Here](#). The GENIUS Act will take effect 18 months after passage or 120 days after publication of final regulations.

The GENIUS Act is the first U.S. cryptocurrency legislation. Stablecoins are a type of cryptocurrency pegged in value to a hard asset or fiat currency. The GENIUS Act is intended to apply to stablecoins pegged to the U.S. dollar. The current stablecoin market is currently valued at more than \$260 billion of the over \$3 trillion overall crypto market, and some estimates have it exploding to \$2 trillion by 2028, in part as a result of the Act.

GENIUS Act Provisions

The Genius Act defines "payment stablecoins" as digital assets issued for payment or settlement (including as margin or collateral) and redeemable at a predetermined fixed amount (for example 1 stablecoin for 1 U.S. dollar, or USD\$). Issuers will be required to hold at least USD\$1.00 as liquid capital reserves for every USD\$ stablecoin issued. Permitted reserves are limited to coins and currency, insured deposits at banks and credit unions, short-term

Treasury Bills and a few other categories, including other government-issued assets approved by regulators. Issuers may use reserve assets only for specific purposes, such as redeeming stablecoins. The Act requires federal and state regulators to issue tailored capital, liquidity and risk management rules for federal and state stablecoin issuers, but exempts stablecoin issuers from the capital reserve standards applied to traditional banks.

Issuers are required by the Act to apply to their state or federal regulator as the case may be for authorization to issue stablecoins. Foreign issuers may also qualify, if operating under a comparable regime in their own jurisdiction. Issuers are generally required to be primarily engaged in financial activities and to establish and publish stablecoin redemption procedures and issue periodic reports on outstanding stablecoins and reserve composition, which must be certified by Issuer executives and examined by public accounting firms. Issuers with more than USD\$50 billion in outstanding stablecoins are required to submit annual audited financial statements.

Issuers are subject to the Bank Secrecy Act and the Financial Crimes Enforcement Network is required to write tailored anti-money laundering rules. Foreign stablecoins not licensed in the U.S. are permitted to trade on U.S. secondary markets provided that they have the technological capacity to freeze transactions and comply with Treasury Department orders. The Act creates a federal and state regulatory option for stablecoin issuers, which can be subsidiaries of insured depository institutions ("IDIs") or non-banks (which need not be financial institutions). The Act allows any stablecoin issuer with less than USD\$10 billion in outstanding stablecoins the option of being regulated by a state-provided regulatory regime that was "substantially similar" to its federal counterpart.

A stablecoin issuer that is a subsidiary of an IDI is required to apply to the IDI's federal bank regulator. A non-bank issuer will be required to apply to the Comptroller of the Currency. An application will be evaluated primarily on the issuer's ability to meet the capital reserve requirements. An application not acted upon in 120 days will be deemed approved. Regulators will have to justify denials of applications and allow appeals of denials.

The Act establishes rules for stablecoin asset and reserve custodians, which may be issuers or nonissuers, as long as the custodians are regulated by federal or state bank regulators, the Securities and Exchange Commission ("SEC") or the Commodity Futures Trading Commission ("CFTC"). It will prohibit custodians from commingling their funds with customer funds (with exceptions). The Act allows banks to provide custodial services for stablecoins and reserve assets, issue tokenized deposits, and use blockchains.

The Act updates the Bankruptcy Code to make out-of-state stablecoin issuers subject to its host state's consumer protection laws. The Act grants stablecoin holders a superpriority in an issuer's bankruptcy. The Act permits the Treasury Department to establish reciprocal arrangements with foreign jurisdictions that have comparable regulatory regimes. Finally, the Act provides that payment stablecoins are not securities (and therefore can be traded on cryptoexchanges without securities registration and are not federally insured). The Act prohibits issuers from misrepresenting insured status, tying stablecoin service to purchase of other services, and using deceptive names.

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