

# Licensed to Mint: Inside the GENIUS Act's Game-Changing Rules

**Blockchain and the Law** on **September 8, 2025**

In July 2025, President Donald Trump signed the bipartisan-supported Guiding and Establishing National Innovation for U.S. Stablecoins Act (the “GENIUS Act” or the “Act”) into law. The GENIUS Act is the first major federal law that specifically regulates the cryptocurrency industry, establishing a comprehensive regulatory framework for payment stablecoins in the U.S. The Act, which will take effect by January 2027 (or earlier if final regulations implementing the Act are issued), significantly reshapes the legal landscape for digital assets in the U.S. and may provide momentum for further Congressional actions in the digital assets space.

Generally speaking, a stablecoin is a type of cryptocurrency designed to maintain a stable value by being pegged to a reserve asset, such as a fiat currency, a commodity, or a basket of reliable assets. Stablecoins aim to provide price stability, making them useful for everyday transactions, trading, and decentralized finance (DeFi) applications, including liquidity pools for collateral in lending and borrowing and as payments for low-cost borderless transactions. Stablecoins collectively represent hundreds of billions of dollars in market cap, underscoring the significance of the Genius Act’s goal to provide legal clarity and a structured framework for stablecoin issuance and oversight. The law also seeks to enhance trust and reduce the custodial and operational risks of stablecoins that were evidenced in recent years during a major algorithmic stablecoin collapse and a “depegging” incident of a major stablecoin. Overall, the law covers digital finance regulation, consumer protection, anti-money laundering (AML) compliance, federal and state regulatory frameworks, bankruptcy, and U.S. monetary policy in general.

To do this, the Act:

- Formally defines “payment stablecoins”
- Limits the integration of algorithmic stablecoins into the mainstream financial system and only recognizes fiat-backed stablecoins as permitted payment stablecoins

- Establishes a federal licensing framework for domestic and foreign issuers
- Sets standards for reserves and redemption and prohibits “rehypothecation”
- Clarifies regulatory oversight between federal and state regulators and expressly states that licensed stablecoins are not securities or commodities
- Enhances transparency and consumer protections, including in the event of issuer insolvency
- Contains provisions related to anti-money laundering (AML) compliance
- Seeks to legitimize stablecoins under U.S. law, incentivize the use of U.S. Treasury bonds as reserve assets and generally position the U.S. as a leader in digital finance

Below we will highlight some of the major aspects of the law and then discuss some issues going forward.

### **Payment Stablecoin Definition**

The Act defines a “payment stablecoin” as a digital asset that is, or is designed to be, used for payments or settlements and whose issuer must redeem it for a fixed monetary value and represent that it will maintain, or create the reasonable expectation that it will maintain, a stable value. The definition of stablecoin does not include a digital asset that is a national currency, a deposit, or a security. While the GENIUS Act does not expressly ban algorithmic stablecoins, it excludes them from its regulatory framework, leaving them without the legal protections and consumer safeguards provided to 1:1 fiat-backed stablecoins.

### **Requirements for Issuers**

The GENIUS Act outlines several requirements for a “permitted payment stablecoin issuer,” (“PPSI”)[\[1\]](#) including the following:

- *Permitted Actions.* In general, a PPSI may only 1) issue payment stablecoins; 2) redeem payment stablecoins; 3) manage related reserves; 4) provide custodial or safekeeping services for payment stablecoins, required reserves or private keys of payment stablecoins; and 5) undertake other activities that directly support any of the previous four.

- *Prohibited Actions – Interest/Yields.* A PPSI may not pay the holder of any payment stablecoin any form of interest or yield for holding or using the stablecoin.
- *Reserves and Related Prohibitions.* A PPSI must maintain reserves backing its outstanding payment stablecoins on an at least 1:1 basis, with the law specifying the permissible components (e.g., U.S. Treasury bills). To preserve liquidity and foster a lower-risk environment, the required reserves may not be pledged, rehypothecated, or reused by the PPSI, absent limited exceptions. Issuers must publish monthly reports on the composition of their reserves, examined by a registered public accounting firm, and with Chief Executive Officer and Chief Financial Officer certifications.
- *Redemption.* PPSIs must publicly disclose their redemption policy, including “clear and conspicuous” procedures for the timely redemption and disclosure of fees associated with purchase and redemption.
- *AML Compliance.* PPSIs will be treated as financial institutions for purposes of the Bank Secrecy Act, subject to federal laws applicable to sanctions, money laundering prevention, customer identification, and due diligence.
- *Prohibition on Tying.* In general, a PPSI may not provide services to a customer on the condition that the customer obtain an additional paid product or service from the issuer, or any of their subsidiaries, or on the condition that the customer refuse competing products.
- *Marketing Restrictions.* It is unlawful to market a product as a payment stablecoin unless issued under the Act. Issuers may also not imply U.S. Government backing or use any combination of terms relating to the U.S. Government in the name of a payment stablecoin or market a payment stablecoin in such a way that a reasonable person would perceive it to be legal tender, issued by the United States, or FDIC guaranteed. Abbreviations directly related to a payment stablecoin’s pegged currency are exempt from this prohibition.
- *Annual Reporting.* A PPSI with more than \$50B in issuance (and not already SEC-reporting) must prepare audited annual financial statements.
- *Non-Financial Services Public Companies.* If a nonfinancial public company that is not predominately engaged in one or more “financial activities” wants to issue a payment stablecoin, it must obtain a unanimous vote of the Stablecoin Certification Review Committee based on conditions related to systemic risk and compliance with stablecoin transaction data safeguards.
- *Digital Asset Service Providers:* Following a three-year transition period following the enactment of the GENIUS Act (and absent a safe harbor issued by regulators), it will be unlawful for a digital asset service provider to offer or sell a payment

stablecoin in the U.S., unless the stablecoin is issued by a PPSI.

## **Federal vs. State Regulatory Regimes**

Under the GENIUS Act, regulatory oversight of payment stablecoin issuers is divided between federal and state authorities, based on the size of the issuer's operations. Issuers with more than \$10 billion in issuance are generally subject to federal regulatory oversight. This category of PPSI can either be a subsidiary of an insured depository institution and be licensed and supervised by federal agencies (e.g., Federal Reserve Board, OCC, FDIC) or a "Federal qualified payment stablecoin issuer" overseen by the OCC.

An issuer with \$10 billion or less in issuance can operate under state-level regulatory frameworks, provided they are "substantially similar" to the federal GENIUS Act regulatory framework. Presumably, this would offer opportunities for smaller issuers to operate within existing digital asset regimes, such as New York's BitLicense or Wyoming's SPDI,[\[2\]](#) as long as such state regimes are determined to meet the minimum standards of the Act. State qualified payment stablecoin issuers that exceed the \$10 billion threshold can remain supervised by a state regulator if the applicable primary Federal payment stablecoin regulator issues a waiver for them to do so, after considering such things as the issuer's capital, past operations and examination history, and supervisory framework, along with the state regulator's experience.

Overall, the Act requires federal and state payment stablecoin regulators to issue specific regulations to implement and enforce the law's provisions, including those related to licensing procedures, reserve requirements and disclosures, enforcement mechanisms and consumer protection.

## **Custody and Collateral**

The Act includes strong provisions to ensure the safe custody of customer stablecoins. In general, entities may provide custodial or safekeeping services for stablecoins, reserves, or private keys if they are subject to supervision by a State bank or credit union supervisor or are subject to supervision or regulation by a primary Federal payment stablecoin regulator or primary financial regulatory agency. They must: implement safeguards to secure customer assets; treat the customer's property, such as payment stablecoins or private keys, as belonging to the customer; and take appropriate steps to protect the customer's property from the claims of the entity's creditors. The Act prohibits commingling, stating that the property of stablecoin issuers or customers must be separately accounted for and separated from the entity's assets, with limited exceptions, and requires that a customer's claim with respect to payment stablecoins held by a custodial or safekeeping entity have priority over the claims of any non-customer, "unless a customer expressly consents to the priority of such other claim."

### **Insolvency Treatment**

The Act includes protections for stablecoin holders in the event a PPSI becomes insolvent. In such a case, the Act specifies that the claim of a person holding the issuer's payment stablecoins will have priority, on a ratable basis with the claims of other such stablecoin holders, over the claims of the PPSI and any other holder of claims against the PPSI, with respect to required payment stablecoin reserves. These provisions were likely in response to prior bankruptcy proceedings of digital asset providers where a court found that the [governing terms stated that customers' deposits constituted property of the debtor's bankruptcy estate](#).

### **Clarification of Status**

The GENIUS Act amends existing federal financial law to clarify that the terms "security" and "commodity" do not include the payment stablecoins of a PPSI and that PPSIs are not investment companies.

### **Foreign Stablecoin Issuers**

Foreign payment stablecoin issuers may operate in the U.S. if they are supervised and regulated by a “comparable” payment stablecoin regulator, register with the OCC, and hold reserves in a U.S. financial institution unless otherwise permitted by a reciprocal agreement. [Note. Comparable regulations would generally include provisions related to reserve backing, redemption rights, financial disclosures, and AML compliance. However, the term “comparable” is not defined under the Act]. Issuers from sanctioned or high-risk jurisdictions are barred. Digital asset service providers cannot list payment stablecoins issued by foreign payment stablecoin issuers unless the issuer has the technological capability to comply, and will comply, with any lawful order or reciprocal arrangement.

### **Looking Ahead**

The GENIUS Act will take effect on the earlier of either January 18, 2027 (18 months after its enactment) or on a date that is 120 days after the primary Federal payment stablecoin regulators issue any final regulations implementing the Act. Once in effect, the law will introduce new legal obligations, operational restrictions and compliance requirements that must be carefully evaluated before a digital asset service provider can offer or sell payment stablecoins from a PPSI or if a qualifying entity becomes a PPSI or provides custody or related services.

With the opportunity and clarity from the passage of the GENIUS Act comes multiple compliance issues (whether under federal or state licensing) involving reserves and redemption, custody requirements and asset segregation, bankruptcy and insolvency protections, AML compliance, and additional considerations for foreign issuers, not to mention further requirements from future implementing regulations. Beyond clarity for stablecoin issuers and related providers, the Act will also likely spur the further development of the regulated stablecoin market and create a demand for U.S. Treasuries, aligning digital finance with national fiscal policy. Overall, one might consider stablecoins regulated under the GENIUS Act as less risky than other cryptocurrencies because they are non-volatile by design and come with legal safeguards, financial backing and operational restrictions. It is also likely that the Act will encourage established, regulated digital asset providers and financial institutions, with existing infrastructure and experience that match GENIUS Act requirements, to offer specialized services in this space, whether it is reserve management, custody services, AML compliance and reporting, or even interoperable payment systems using GENIUS-compliance stablecoins for cross-border payments or merchant services.

Thinking ahead, one would imagine that entities already licensed under a state digital assets regime may be in an advantageous position to lead early adoption of GENIUS-compliance stablecoins and related services, having had a regulatory head start by having already gone through a certification process. New York's BitLicense, for example, is one of the more mature digital asset regulatory frameworks in the U.S. and licensed entities already have experience with AML/KYC programs, capital requirements, segregation of assets, cybersecurity standards and consumer protection rules. As previously discussed, the GENIUS Act allows state-licensed payment stablecoin issuers with \$10 billion or less in issuance to operate under qualifying state regulatory frameworks (e.g., New York's Department of Financial Services (NYDFS) and its BitLicense regime would seem likely to qualify as a recognized framework under the Act). One would also expect entities that will seek licensure under California's recently-enacted [Digital Finance Assets Law](#) (DFAL), which has an operative date of July 1, 2026 and establishes a comprehensive licensing and oversight regime for entities engaging in digital financial asset business activity, to also be on the path toward compliance (note: the California law contains a conditional licensing pathway for New York BitLicense holders). Similarly, Wyoming's Division of Banking, which maintains a digital asset regulatory regime, issues digital asset regulations and oversees Special Purpose Depository Institutions (SPDI) (or Wyoming-chartered, fully reserved banks that can custody digital assets and provide asset services), is also a potential candidate to be evaluated and certified as a state stablecoin regulator under the GENIUS Act.

Still, the state-based pathway is only available to issuers with not more than \$10 billion in issuance and entities exceeding this threshold must seek federal licensure, although exceptions may be granted. On the other hand, foreign stablecoin issuers that are unlicensed in the U.S. and are resistant to domestic regulation or unable to meet the various safeguards and standards under the Act will likely be marginalized in the U.S., as will algorithmic stablecoins, which are excluded from the Act's regulatory framework.

On other fronts, there seems to be momentum for the enactment of more federal crypto legislation. Two other major bills related to the industry [have passed the House of Representatives this year](#) (the Digital Asset Market Clarity Act and the Anti-CBDC Surveillance State Act<sup>[3]</sup>), and the White House recently [released](#) a roadmap of additional initiatives regarding digital assets policy. This occurred on the heels of the SEC's statements providing greater clarity on its views regarding [stablecoins](#), [memecoins](#), [crypto ETPs](#) (and [in-kind creations and redemptions for crypto ETPs](#)) and its settlement of or withdrawal from numerous legacy enforcement actions against digital asset providers. Subsequently, in September 2025 the staff of the SEC and CFTC issued a [statement](#) announcing a cross-agency initiative related to the trading of certain spot crypto asset products; the SEC Chair Atkins and Acting CFTC Chair Pham also issued a joint [statement](#) about "a new beginning for coordination between U.S. market regulators." Additionally, President Trump, along with [pledging](#) to make the United States the "crypto capital of the world," has [signed multiple executive orders this year related to the industry](#), such as:

- [Executive Order 14178](#), which aims to promote U.S. leadership in digital financial technology (signed January 23, 2025).
- [Executive Order 14233](#), which calls for the establishment of a Strategic Bitcoin Reserve and United States Digital Asset Stockpile (signed March 6, 2025).
- [Executive Order 14330](#), which is intended to enable retirement savings plans to access certain alternative asset investments, including holdings in actively managed investment vehicles that are investing in digital assets (signed August 7, 2025).

*The author would like to thank Aniket C. Mukherji, a Proskauer legal assistant, for his substantial contributions to this post.*

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<sup>[1]</sup> The term "permitted payment stablecoin issuer" means an entity formed in the U.S. that is—(A) a subsidiary of an insured depository institution that has been approved to issue payment stablecoins under the Act; (B) a federal qualified payment stablecoin issuer; or (C) a state qualified payment stablecoin issuer.

[2] Also on the stablecoin front, in August 2025, the state of Wyoming [issued](#) the Frontier Stable Token (FRNT), “the first fiat-backed, fully reserved stable token issued by a public entity in the United States of America,” created under the Wyoming Stable Token Act of 2023. It is expected to be available for public purchase in September 2025. FRNT is fully backed 1:1 by USD and U.S. Treasuries, and, by statute, has a 102% reserve (i.e., 2% overcapitalization) for additional stability and protection. This is an example of a state adopting blockchain-based stablecoins for non-speculative, public-sector financial infrastructure.

[3] The Clarity Act would set rules for when an asset is considered a security and overseen by the SEC or when it is considered a commodity and overseen by the CFTC while the Anti-CBDC Surveillance State Act would prevent the Federal Reserve from issuing a central bank digital currency.