UNITED STATES HOUSE COMMITTEE ON
FINANCIAL SERVICES
CHAIRMAN FRENCH HILL

Section-by-Section: Guiding and Establishing National Innovation for U.S. Stablecoins Act or the "GENIUS Act"

S. 1582, the GENIUS Act, was introduced on May 1, 2025, by Senator Bill Hagerty (R-TN). S. 1582 provides a clear regulatory framework for the issuance of payment stablecoins in the U.S. The GENIUS Act passed the U.S. Senate by a bipartisan vote of 68-30 on June 17, 2025.

Sec. 1 Short title
This Act is titled the *Guiding and Establishing National Innovation for U.S. Stablecoins Act* or the "GENIUS Act."

Sec. 2 Definitions
Section 2 provides for definitions under the Act.

Sec. 3 Issuance and treatment of payment stablecoins
Section 3 prohibits the issuance of payment stablecoins in the United States by any entity other than those approved as permitted stablecoin issuers under the bill upon enactment. Three years after the bill is enacted, digital asset service providers will be prohibited from offering or selling payment stablecoins unless they are issued by a permitted payment stablecoin issuer. Digital asset service providers are prohibited from offering payment stablecoins issued by foreign payment stablecoin issuers unless the issuer has the technological capability to comply with any lawful order or reciprocal arrangement pursuant to Section 18, which delineates a process for foreign payment stablecoin issuers licensed under comparable foreign regimes to offer their payment stablecoins in the U.S.

Sec. 4 Requirements for issuing payment stablecoins
Section 4 establishes minimum standards for permitted payment stablecoin issuers. Permitted payment stablecoin issuers must maintain reserves on a one-to-one basis with assets comprised of U.S. currency; deposits held at insured depository institutions; short-term Treasury bills, notes, or bonds; short-term repurchase and reverse repurchase agreements; money market funds invested solely in the other assets included in the list of permissible payment stablecoin reserves; any similarly liquid Federal Government-issued assed approved by the primary Federal payment stablecoin regulator; and any of the aforementioned reserves in tokenized form.

Such reserves may not be rehypothecated except for limited purposes. Permitted payment stablecoin issuers must establish and publicly disclose policies and procedures regarding redemption. Issuers must publish the composition of their reserves monthly on their website, have those reports examined monthly by an independent registered public accounting firm, and provide monthly certifications from their Chief Executive Officer and Chief Financial Officer to the issuer's primary regulator regarding the

truthfulness of these reports. This section also requires the primary Federal payment stablecoin regulators, or in the case of state qualified payment stablecoin issuers, the state payment stablecoin regulator, to issue regulations establishing tailored capital requirements, liquidity standards, and risk management requirements for reserve asset diversification, cybersecurity, operations, and compliance.

Additionally, permitted payment stablecoin issuers are treated as financial institutions for purposes of applying Bank Secrecy Act (BSA). Section 4 creates tailored BSA obligations for permitted payment stablecoin issuers. These obligations will require issuers to establish and maintain an anti-money laundering and countering the financing of terrorism program, retain appropriate records of transactions, monitor and report suspicious activity, have the technological capability and internal processes in place to block, freeze, and reject illicit transactions, maintain an effective customer identification program for initial holders of their permitted payment stablecoin, and maintain an effective sanctions compliance program.

This section also places limitations on the activities of permitted payment stablecoin issuers and prohibits permitted payment stablecoin issuers from providing services on the condition that the customer obtains an additional paid product or agrees not to go to a competitor. Permitted payment stablecoin issuers are prohibited from using terms related to the United States government in their names or marketing their payment stablecoins to insinuate that it is issued or guaranteed by the United States government.

Permitted payment stablecoin issuers with more than $50,000,000,000 in outstanding payment stablecoins must prepare an annual financial statement in accordance with generally accepted accounting principles and have the statement audited by a registered public accounting firm. The statement must be made publicly available on their website and submitted to their primary regulator. Permitted payment stablecoin issuers are also prohibited from paying interest or yield on their payment stablecoins. Public companies and foreign companies that are not predominantly engaged in financial activities are prohibited from issuing payment stablecoins unless they obtain a unanimous vote from the Stablecoin Certification Review Committee.

Section 4 also permits state qualified payment stablecoin issuers with a consolidated total outstanding issuance of not more than $10,000,000,000 to issue permitted payment stablecoins through state regulatory regimes that have been certified with the Stablecoin Certification Review Committee as meeting the principles established by the Secretary of the Treasury. A state qualified payment stablecoin issuer with a permitted payment stablecoin that has a consolidated total outstanding issuance of more than $10,000,000,000 must either transition to the Federal regulatory framework of the primary Federal payment stablecoin regulator of the state qualified payment stablecoin issuer, receive permission from Federal payment stablecoin regulator to remain solely supervised by a state payment stablecoin regulator, or cease issuing new payment stablecoins until it is under the $10,000,000,000 threshold.

This section clarifies that permitted payment stablecoins are not subject to deposit insurance by the FDIC or share insurance by the National Credit Union Administration (NCUA) and requires permitted payment stablecoin issuers to disclose this information on their websites. Section 4 prohibits individuals convicted of a felony offense for certain financial crimes from serving as an officer or director of a permitted payment stablecoin issuer. Finally, Section 4 clarifies that the GENIUS Act does

not alter the status quo regarding legal eligibility for master account access or existing ethics statutes and regulations administered by the Office of Government Ethics and Congress, where Members of Congress and senior executive branch officials are prohibited from issuing payment stablecoins during their time in public service.

Sec. 5 Approval of subsidiaries of insured depository institutions and Federal qualified nonbank payment stablecoin issuers

Section 5 establishes a process for each primary Federal payment stablecoin regulator to receive, review, and consider applications from insured depository institutions and nonbank entities that seek to issue payment stablecoins through a subsidiary. This section requires the primary Federal payment stablecoin regulator to render a decision on applications within a certain timeframe. If the primary Federal payment stablecoin regulator fails to issue a decision within the timeframe, the application will be deemed approved. Factors that the primary Federal payment stablecoin regulator may consider when assessing the application include the payment stablecoin issuer's ability to meet the standards established in Section 4, including with respect to the issuer's redemption policy; whether an individual who has been convicted of a felony offense is serving as an officer or director of the issuer; the competence, experience, and integrity of the issuer's leadership; and any other factor established by the primary Federal payment stablecoin regulator. The regulator may only deny an application if it determines the activities of the applicant would be unsafe or unsound based on the applicant's ability to meet the aforementioned factors. The regulator must provide a written explanation for the denial that includes the shortcomings of the application and actionable recommendations on how those shortcomings could be addressed.

The payment stablecoin issuer is permitted to appeal the denial through a process established under the bill. The primary Federal payment stablecoin regulators must report to Congress annually on payment stablecoin issuer applications that have been pending for 180 days or more and have been flagged as incomplete. The primary Federal payment stablecoin regulator shall notify Congress once application processing begins. 180 days after a permitted payment stablecoin issuer's application has been approved, each issuer must submit to its primary Federal payment stablecoin regulator, or in the case of state qualified issuer, its state payment stablecoin regulator, a certification that the issuer has implemented anti-money laundering and economic sanctions compliance programs that are reasonably designed to prevent the issuer from facilitating money laundering.

Sec. 6 Supervision and enforcement with respect to Federal qualified payment stablecoin issuers and subsidiaries of insured depository institutions

Section 6 establishes supervision and enforcement standards for permitted payment stablecoin issuers under the oversight of a primary Federal payment stablecoin regulator. Federally qualified permitted payment stablecoin issuers are subject to supervision by the primary Federal payment stablecoin regulator and required to submit reports upon request by the primary Federal payment stablecoin regulator about the issuer's operations and compliance with the Act and the BSA and sanctions obligations.

The enforcement provisions are similar to the enforcement powers under *the Federal Deposit Insurance Act* (12 U.S.C. 1818) and provide federal payment stablecoin regulators authority to pursue suspension and prohibition actions, cease-and-desist actions, and civil money penalties against a permitted payment stablecoin issuer or institution-affiliated party of a permitted payment stablecoin issuer if the primary Federal payment stablecoin regulator determines that such permitted payment

stablecoin issuer or institution-affiliated party is violating or has violated the bill or any regulation or order issued thereunder.

Sec. 7 State qualified payment stablecoin issuers
Section 7 grants state payment stablecoin regulators supervisory, examination, and enforcement authority over state qualified payment stablecoins issuers. State regulators may enter into memorandums of understanding with primary Federal banking agencies to jointly carry out supervision and enforcement, and must share information with these banking agencies. In exigent circumstances, the Federal Reserve and the OCC can take enforcement actions against state qualified payment stablecoin issuers or their institution-affiliated parties but only if they provide a state regulator with prior notice.

This section also establishes standards for state qualified payment stablecoin issuers to operate in states other than the state in which they were approved for issuance. Section 7 stipulates that out-of-state, state qualified payment stablecoin issuers shall be subject to the laws of a host state to the same extent as Federally qualified permitted payment stablecoin issuers operating in that State. If a law of a host state is determined not to apply, the laws of the state in which the issuer was chartered or licensed apply to the issuer. These standards only apply to states that have regimes certified with the Stablecoin Certification Review Committee.

Sec. 8 Anti-money laundering protections
Section 8 prohibits digital asset service providers from offering, selling, or making available foreign payment stablecoins unless the foreign payment stablecoin issuer has the technological capability to comply – and complies with – the terms of any lawful order. The Secretary of the Treasury may designate any foreign payment stablecoin issuer as noncompliant and may offer a waiver, general license, or specific license to any U.S. person engaging in secondary trading of foreign payment stablecoins on a case-by-case basis.

Sec. 9 Anti-money laundering innovation
Section 9 requires the Secretary of the Treasury to seek public comment to identify innovative or novel methods, techniques, or strategies that regulated financial institutions use, or have the potential to use, to detect illicit activity involving digital assets. Once the comment period has ended, the Secretary of the Treasury shall conduct research on the methods identified during the comment period. Section 9 also requires the Secretary of the Treasury to consider illicit activity involving digital assets as part of the National Strategy for Combating Terrorist and Other Illicit Financing. Finally, this section requires the Financial Crimes Enforcement Network to issue public guidance and notice and comment rulemaking based on the results of the research and risk assessments.

Sec. 10 Custody of payment stablecoin reserve and collateral
Section 10 establishes standards for the business of providing custodial or safekeeping services for permitted payment stablecoin reserves, permitted payment stablecoins used as collateral, or the private keys used to issue permitted payment stablecoins. Entities may only engage in the business of providing custodial or safekeeping services if that person is subject to supervision or regulation by a primary Federal payment stablecoin regulator, primary financial agency supervision, or a state bank or credit union supervisor that makes certain information available to the Board. Such entities must treat customer property as belonging to the customer and take steps to protect the property from claims of creditors. Permitted payment stablecoins and other property of a customer must be separately

accounted for and not commingled with the funds of the custodian. Finally, the entities must submit information to their primary federal payment stablecoin regulator on their business operations and processes to protect customer assets. The requirements of this section shall not apply to any entity solely on the basis that such person engages in the business of providing hardware or software to facilitate a customer's own custody or safekeeping of the customer's payment stablecoins or private keys.

Sec. 11 Treatment of payment stablecoin issuers in insolvency proceedings
Section 11 stipulates that in any insolvency proceeding of a permitted payment stablecoin issuer, the claims of persons holding payment stablecoins issued by permitted payment stablecoin issuers have priority over the claims of the permitted payment stablecoin issuer and any other holder of claims against the permitted payment stablecoin issuer with respect to reserves. Section 11 also requires the primary Federal payment stablecoin regulators to perform a study of the potential insolvency proceedings of permitted payment stablecoin issuers, including an examination of existing gaps in the bankruptcy laws and rules for permitted payment stablecoin issuers.

Sec. 12 Interoperability standards
Section 12 requires the primary federal payment stablecoin regulators to work with the National Institute of Standards and Technology, other relevant standard setting organizations, and state governments to consider standards for compatibility and interoperability of permitted payment stablecoins both within the United States and in foreign jurisdictions with comparable payment stablecoin regulatory regimes.

Sec. 13 Rulemaking
Section 13 requires each primary Federal payment stablecoin regulator, the Secretary of the Treasury, and each state payment stablecoin regulator to promulgate regulations to carry out this Act through appropriate notice and comment rulemaking. This section requires these regulators to coordinate, as appropriate, on issuing any regulations to implement the Act and submit a report to Congress that confirms and describes the regulations promulgated within 180 days after the Act's effective date.

Sec. 14 Study on non-payment stablecoins
Section 14 requires the Secretary of the Treasury, in consultation with the Federal Reserve, the OCC, the FDIC, the SEC, and the CFTC, to carry out a study of non-payment stablecoins, including endogenously collateralized payment stablecoins within a year of enactment.

Sec. 15 Reports
Section 15 requires the primary Federal payment stablecoin regulators, in consultation with state payment stablecoin regulators to submit to Congress and the Director of the Office of Financial Research a report on the status of the payment stablecoin industry a year after the date of enactment and annually thereafter. The findings of this report shall be incorporated into the Financial Stability Oversight Council's annual report.

Sec. 16 Authority of banking institutions
Section 16 clarifies the authority of depository institutions and trust companies, as appropriate, to tokenize deposits, utilize distributed ledgers for books and records, and provide custodial services for permitted payment stablecoins. Additionally, this section prevents federal agencies from requiring entities to account for assets held in custody on their balance sheet; hold additional regulatory capital

against these assets, except as necessary to mitigate against operational risks inherent with the custody or safekeeping services, as determined by the appropriate federal banking agency, NCUA, state bank supervisor, or state credit union supervisor; or recognize a liability for any obligations related to activities or services performed for digital assets that the entity does not own if that liability would exceed the expense recognized in the income statement as a result of the corresponding obligation. This language would prevent the SEC or other federal regulators from issuing guidance similar to the SEC's SAB 121.

Sec. 17 Amendments to clarify that payment stablecoins are not securities or commodities and permitted payment stablecoin issuers are not investment companies
Section 17 amends the United States' securities laws to clarify that the term "security" does not include a payment stablecoin issued by a permitted payment stablecoin issuer and amends the Commodity Exchange Act to clarify that the term "commodity" does not include a payment stablecoin issued by a permitted payment stablecoin issuer.

Sec. 18 Exception for foreign payment stablecoin issuers and reciprocity for payment stablecoins issued in overseas jurisdictions
Section 18 clarifies that the prohibitions in section 3 shall not apply to foreign payment stablecoin issuers if the foreign payment stablecoin issuer is subject to regulation and supervision by a foreign payment stablecoin regulator that the Secretary of the Treasury has determined is comparable to the regulatory and supervisory regime established under this Act, is registered with the OCC, holds reserves in U.S. financial institutions sufficient to meet demands of U.S. customers, and is domiciled and regulated in a country that is not subject to comprehensive sanctions by the United States or in a jurisdiction of primary money laundering concern. The Secretary of the Treasury may only make such a determination if each member of the Stablecoin Certification Review Committee makes such a recommendation. Foreign payment stablecoin issuers shall be subject to reporting, supervision, and examination requirements determined by the OCC and shall consent to U.S. jurisdiction relating to enforcement.

Sec. 19 Disclosure relating to payment stablecoins
Section 19 adds payment stablecoin holdings over $5,000 issued by permitted payment stablecoin issuers to federal financial disclosure requirements.

Sec. 20 Effective date
Section 20 provides that this Act will take effect on the earlier of the date that is 18 months after enactment or 120 days after the date on which the primary Federal payment stablecoin regulators issue any final regulations.