



FACT SHEET

GENIUS Act

The **Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act)** establishes a Federal regulatory framework for payment stablecoins, reinforcing U.S. leadership in digital assets and strengthening the dollar's role as the world's reserve currency. The OCC's final rule implements the requirements of the GENIUS Act, establishing a clear regulatory framework for permitted payment stablecoin issuers (PPSIs) subject to OCC supervision. The rule promotes responsible innovation while maintaining safety and soundness as this emerging industry develops.

GENIUS ACT–COMMUNITY BANKS: CONCERNS AND RESPONSES

- > Community banks have an important role in the future of American finance. The OCC's implementation of the GENIUS Act supports opportunities for community banks to participate in payment stablecoin innovation, with requirements tailored to an issuer's business model, risk profile, and size.
- > Community banks are a cornerstone of the American economy, providing capital to small businesses and hardworking families. The OCC is committed to supporting their ability to innovate, compete, and continue delivering the financial services their communities depend on.
- > The final rule provides a pathway for interested community banks to explore payment stablecoin issuance through eligible structures, including subsidiaries, as applicable. Together with the OCC's broader efforts to right-size regulation and tailor supervision, this framework supports opportunities for community banks to help shape the next generation of payments.



DEPOSIT FLIGHT

CONCERN: Increased adoption of stablecoins will lead to significant deposit outflows from community banks.

RESPONSE: The OCC is committed to supporting a strong community banking sector as payment innovation advances. The GENIUS Act and the final rule permit bank deposits to serve as reserve assets backing payment stablecoins, providing a continuing role for banks in this new industry. The effect of stablecoin adoption on community bank deposits remains uncertain, and estimates vary widely. The OCC takes community banks' funding concerns seriously and is closely monitoring potential deposit outflows as the industry develops.

INTEREST AND YIELD

CONCERN: Stablecoin issuers can indirectly offer interest, yield, or “rewards” that will directly compete with traditional bank deposits.

RESPONSE: The OCC’s final rule supports a payment stablecoin industry built on clear rules and effective oversight. It incorporates the GENIUS Act’s prohibition on PPSIs paying holders any form of interest or yield solely in connection with holding, using, or retaining a payment stablecoin. The proposal included a rebuttable presumption for when an arrangement would violate this prohibition. The final rule does not include the rebuttable presumption and instead restates the statutory prohibition. The rule prohibits activities that the OCC determines evade the requirements of section 4 of the GENIUS Act, including the interest and yield prohibition. The OCC will closely monitor compliance, including during its review of PPSI applications.

UNEVEN REGULATORY TREATMENT

CONCERN: Nonbank stablecoin issuers will not be held to the same stringent regulatory and supervisory requirements as banks, creating an uneven playing field.

RESPONSE: The OCC’s final rule supports fair competition and responsible innovation by generally applying the same requirements to bank and nonbank payment stablecoin issuers. As required by the GENIUS Act, requirements are tailored to issuers’ business models and risk profiles, with examination cycles reflecting their size and complexity. Like banks, large PPSIs are subject to a full-scope examination every 12 months. Certain small issuers qualify for an extended examination cycle of 18–24 months, comparable to the 18-month cycle available to certain small banks. This approach combines robust oversight with proportionate requirements, supporting opportunities for community banks to participate in the new industry.

FINANCIAL STABILITY

CONCERN: Rapid stablecoin redemptions and other liquidity pressures could create contagion risks and threaten financial stability, exposing the banking system to additional risks.

RESPONSE: A resilient financial system provides the foundation for American innovation and a strong community banking sector. The GENIUS Act and the OCC’s implementing regulations address financial stability risks, including contagion, through regulation and supervision of payment stablecoin issuers. The OCC will take a risk-based approach to supervision, including oversight of the largest OCC-regulated issuers, and retains authorities that expressly address financial stability. As the new industry grows, the OCC will monitor potential contagion risks and take action as warrant by financial conditions.

COMPETITIVE PRESSURES

CONCERN: Community banks have fewer resources to develop stablecoin capabilities and will struggle to compete with larger banks and digital asset companies.

RESPONSE: The OCC wants community banks to help shape the future of payments and is encouraging the development of payment stablecoin capabilities within the community banking sector. The framework includes provisions that right-size requirements based on issuer size, supporting opportunities for community banks to participate in the new industry. Interested community banks are encouraged to consider applying to become, or for a subsidiary to become, a PPSI, as applicable. These opportunities complement the OCC's Community Bank Comeback initiatives to right-size regulation and tailor supervision so community banks can grow, compete, and continue serving their communities.

ILLICIT FINANCE

CONCERN: Stablecoins could facilitate money laundering, sanctions evasion, fraud, and other illicit financial activities.

RESPONSE: American leadership in financial innovation depends on a financial system that safeguards against illicit activity. All PPSIs will be subject to applicable federal laws addressing economic sanctions, money laundering prevention, customer identification, and due diligence. These obligations include maintaining effective anti-money laundering and sanctions compliance programs and monitoring and reporting suspicious transactions relevant to possible violations of law or regulation. These requirements support the integrity of the new industry and confidence in the broader financial system.

CONSUMER PROTECTIONS

CONCERN: Customers may mistakenly believe stablecoins offer the same protections as bank deposits, including FDIC insurance, and may not fully understand the potential risks.

RESPONSE: Clear information helps consumers make informed choices and supports confidence in the new industry. The final rule requires PPSIs to disclose that payment stablecoins are not backed by the full faith and credit of the United States, guaranteed by the U.S. government, or covered by federal deposit or share insurance. It is unlawful to represent otherwise. These requirements help consumers understand the distinction between payment stablecoins and insured bank deposits.



CAPITAL REQUIREMENTS

CONCERN: PPSIs are not subject to capital requirements.

RESPONSE: A strong financial foundation supports responsible innovation and confidence in the new industry. The OCC's final rule establishes capital requirements for PPSIs tailored to their business models and risk profiles. These requirements complement the rule's broader financial safeguards, which are designed to support timely redemption of payment stablecoins and issuer solvency.