

Alert | Blockchain & Digital Assets



July 2025

GENIUS Act Enacted, Establishing a Regulatory Framework for Payment Stablecoins Issued or Sold in the United States

Go-To Guide

- On July 18, 2025, President Donald Trump signed the “Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025” (the GENIUS Act or the Act) into law. The House of Representatives passed the Act on July 17, 2025, by a vote of 308-122, following Senate passage on June 17, 2025.
- The GENIUS Act establishes a regulatory framework for payment stablecoins and their issuers, with federal oversight of issuers with over \$10 billion in consolidated payment stablecoin issuance and state oversight of smaller issuers.
- At the federal level, the GENIUS Act carves out stablecoins from the definitions of a “security” or “commodity”, removing Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) jurisdiction, establishing instead that payment stablecoins are subject to regulation by, inter alia, the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Federal Reserve Board.
- The GENIUS Act provides stablecoin issuers a regulatory framework that imposes among other things, authorization, reserve requirements, audits, and consumer disclosure requirements.

- The GENIUS Act contains amendments to the Bankruptcy Code to provide protections for payment stablecoin holders in the event of a permitted payment stablecoin issuer’s insolvency, including a priority claim that is senior to any other claims against the stablecoin issuer against reserves, and, to the extent the reserves are insufficient, a superpriority claim against the stablecoin issuer for any deficiency, senior to all other claims, including administrative claims.

Background

On July 18, 2025, President Trump signed the GENIUS Act into law. The GENIUS Act, which passed the Senate on June 17, 2025, and the House of Representatives on July 17, 2025, is the first major piece of crypto legislation in the United States.

The GENIUS Act establishes a comprehensive regulatory framework for payment stablecoins, limiting their issuance to “permitted payment stablecoin issuers” (federal or state-qualified entities), that must maintain a 1:1 reserve backing,¹ satisfy public disclosure obligations, and operate under federal or qualifying state regulatory supervision, as described below. The GENIUS Act will take effect on the earlier of (i) Jan. 18, 2027 (18 months after enactment) or (ii) 120 days after the primary federal payment stablecoin regulators issue final rulemaking to implement the GENIUS Act.² Once in effect, issuers of payment stablecoins in the United States must abide by the requirements of the GENIUS Act. Digital asset service providers such as cryptocurrency exchanges, custodians and wallet providers, and payment apps will have a three-year transition period to comply with the GENIUS Act. As of July 18, 2028, these providers will be required to restrict their activities to only payment stablecoins that have been issued by an issuer approved under the GENIUS Act.

Key Provisions

Definition of Payment Stablecoins

The GENIUS Act regulates “payment stablecoins,” which are defined as digital assets³:

1. that are, or are designated to be, used as a means of payment or settlement; and
2. the issuer of which:
 - a. is obligated to convert, redeem, or repurchase for a fixed amount of monetary value, not including a digital asset denominated in a fixed amount of monetary value; and
 - b. represents that such issuer will maintain, or create the reasonable expectation that it will maintain, a stable value relative to the value of a fixed amount of monetary value.

The GENIUS Act expressly excludes from the definition of a “payment stablecoin” digital assets that are: (i) national currencies, (ii) deposits (as defined under section 3 of the Federal Deposit Insurance Act,⁴

¹ “One-to-one” backing refers to a situation where each unit of a liability is matched one-to-one by a corresponding asset of equal value held in reserve.

² Each primary federal payment stablecoin regulator, the Secretary of the Treasury, and each state payment stablecoin regulator are required to promulgate rulemaking to implement the provisions of the GENIUS Act through a notice-and-comment rulemaking no later than one year after the date of enactment of the GENIUS Act.

³ Pursuant to the GENIUS Act, a “digital asset” is defined as “any digital representation of value which is recorded on a cryptographically-secured distributed ledger.” S. 1582, § 2(6), 119th Cong. (2025).

⁴ 12 U.S.C. § 1813.

including deposits recorded using distributed ledger technology); and (iii) “securities” under the Securities Act of 1933 (Securities Act), the Securities Exchange Act of 1934 (Exchange Act), the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Investor Protection Act of 1970, and “commodities” under the Commodity Exchange Act.

Further, the Act provides that a “bond, note, evidence of indebtedness, or investment contract” issued by a “permitted payment stablecoin issuer” will not qualify as a security solely because it meets the definition of a “payment stablecoin.”

By clarifying that “payment stablecoins” are neither securities nor commodities, the GENIUS Act divests the SEC and CFTC of regulatory jurisdiction.⁵ Carving out stablecoins covered by the GENIUS Act as “non-securities” and “non-commodities” represents a significant change from the positions of the SEC and CFTC under the Biden administration, wherein both agencies initiated enforcement actions against stablecoin issuers for failure to register stablecoin offerings, amongst other charges.⁶

Authorization Requirement for Payment Stablecoin Issuers

The GENIUS Act limits the issuance of payment stablecoins in the United States only to “permitted payment stablecoin issuer[s]” (PPSI). A PPSI is any “person” formed in the United States that:

1. is a subsidiary of an insured depository institution approved to issue payment stablecoins by its primary federal banking regulator;
2. is a federally qualified payment stablecoin issuer (i.e., nonbank entities, uninsured national banks, and federal branches) that has been approved by the OCC; or
3. is a state-qualified payment stablecoin issuer approved by the relevant state agency having regulatory and supervisory authority over payment stablecoin issuers in such state.

Knowingly or willfully engaging in the issuance of payment stablecoin in the United States without being a PPSI could result in significant fines (up to \$1,000,000 per violation) and imprisonment for up to five years.

Foreign Stablecoin Issuers

The GENIUS Act allows a “foreign payment stablecoin issuer” to offer and sell payment stablecoins in the United States provided it meets stringent conditions. A foreign payment stablecoin issuer is an entity organized or domiciled in a foreign country or U.S. territory that is not otherwise a PPSI. To operate in the United States, such issuers must be subject to oversight by a foreign regulator with a comparable regulatory regime, register with the OCC, and comply with technological requirements.⁷ Issuers located in

⁵ This is consistent with the SEC’s Division of Corporation Finance’s April 4, 2025, “[Statement on Stablecoins](#),” which explained that the offer and sale of stablecoins pegged or redeemable one-for-one to the U.S. dollar (USD) that “are backed by assets held in a reserve that are considered low-risk and readily liquid with a USD-value that meets or exceeds the redemption value of the stablecoins in circulation” does not constitute a securities offering under the Securities Act or Exchange Act.

⁶ See, e.g., *Tether Holdings Ltd., et al.*, CFTC Doc. No. 22-04 (Oct. 15, 2021); *SEC v. TrueCoin LLC, et al.*, Case No. 3:24-cv-06684 (N.D. Cal., filed Sept. 24, 2024).

⁷ Within one year of enactment, the Secretary of the Treasury must promulgate rulemaking for determining whether a foreign payment stablecoin regulatory regime is compatible with the U.S. federal regime for purposes of determining whether payment stablecoin issuers from that foreign jurisdiction are exempt from the requirement to be a PPSI. Once these regulations are issued, foreign payment stablecoin issuers (or a foreign regulatory agency) may request a determination from the Secretary of the Treasury of compatibility (and thus exemption from U.S. application requirements). The Secretary must render a decision within 210 days of receipt of a substantially complete request.

countries subject to comprehensive U.S. sanctions or designated as primary money laundering concerns are categorically prohibited.

Requirements for Issuing Payment Stablecoins

The GENIUS Act establishes standards for the issuance of payment stablecoins and imposes a range of consumer protection, operational, and compliance requirements on PPSIs, including:

1. Reserve backing on an at least a one-to-one basis for outstanding payment stablecoins;
2. Public disclosure of the PPSI's redemption policy;
3. Monthly public disclosure of reserve composition on the PPSI's website;
4. Prohibition on the rehypothecation of reserve assets;
5. Limitations on the use of reserve assets for high-risk activities, such as proprietary trading or lending;
6. Public reserve reporting and executive certification;
7. Capital, liquidity, and risk-management standards;
8. Custodian asset-segregation requirements;
9. Maintenance of an effective economic sanctions program, including verification of sanctions lists; and
10. Compliance with Bank Secrecy Act/anti-money laundering (AML) requirements including:⁸
 - a. effective AML program maintenance, including the designation of a compliance officer to oversee implementation of the program;
 - b. record retention requirements;
 - c. monitoring and reporting of suspicious transactions;
 - d. maintaining the technological capability to comply with lawful orders to block, seize, freeze, burn, or prevent the transfer of outstanding stablecoins; and
 - e. maintaining an effective customer identification program, including identification and verification of account holders with the PPSI, high-value transactions, and appropriate, enhanced due diligence.

PPSI Activities

PPSIs will only be permitted to engage in the following activities:

1. issuing and redeeming payment stablecoins;

⁸ PPSIs will be treated as financial institutions for purposes of the Bank Secrecy Act and will be required to comply with all applicable AML requirements.

2. managing related reserves (including purchasing, selling, and holding reserve assets or providing custodial services for reserve assets);
3. providing custodial or safekeeping services for payment stablecoins, required reserves, or private keys or payment stablecoins;
4. conducting other activities that directly support the activities listed above; and
5. engaging in digital asset service provider activities (i.e., exchange, transfer, and custody of digital assets).

PPSIs are prohibited from offering or paying the holder of a payment stablecoin any form of yield or interest on issued payment stablecoins.

Requirements to Offer, Sell, or Exchange Payment Stablecoins

Beginning July 18, 2028, “digital asset service providers” will only be able to offer, sell, or otherwise make available payment stablecoins that are issued by a PPSI. “Digital asset service providers” are persons that, for compensation or profit, engage in the following activities in the United States (including on behalf of U.S. customers):

1. exchanging digital assets for monetary value;
2. exchanging digital assets for other digital assets;
3. transferring digital assets to third parties;
4. acting as a digital asset custodian; or
5. participating in financial services relating to digital asset issuance.

Immutable and self-custodial software interfaces, along with other decentralized technologies that do not involve intermediaries or custodial control, are expressly excluded from the definition of “digital asset service provider”.

Transactions Exempt from General Issuance, Offer, and Sale Requirements

The GENIUS Act exempts from the general issuance, offer, and sale requirements the following types of transactions:

1. direct transfers of digital assets between two individuals acting on their own behalf without the involvement of an intermediary;
2. digital asset transactions involving two accounts owned by the same individual where one account is in the United States and the other account is abroad, when such accounts are offered by the same parent company; and
3. transactions facilitated by self-custodial wallets.

Federal and State Licensing and Oversight

The GENIUS Act delineates dual regulatory pathways for PPSIs:

1. PPSIs with more than \$10 billion in outstanding payment stablecoins will be subject to primary federal supervision by designated federal agencies, such as the OCC, Federal Reserve Board, FDIC, and the National Credit Union Administration.
2. PPSIs with a consolidated total outstanding issuance of \$10 billion or less may operate under state supervision, provided their regimes are certified by the Stablecoin Certification Review Committee as “substantially similar” to the federal framework.⁹ PPSIs supervised at the state level that exceed the \$10 billion market cap threshold must transition to federal supervision, unless granted a waiver by the applicable primary federal payment stablecoin regulator based on their state’s regulatory adequacy.
3. State-chartered depository institutions issuing stablecoins that exceed the \$10 billion threshold are subject to joint federal and state supervision.

Federal and state regulators will have broad authority to license, supervise, examine, and enforce compliance with applicable requirements.

Preemption

The GENIUS Act includes provisions for federal preemption of state laws related to payment stablecoin issuance, with some exceptions. PPSIs approved through a federal regulatory pathway (*i.e.*, as a subsidiary of an insured depository institution or as a federal qualified issuer) are exempt from state licensing requirements, including those applicable to money transmission. The GENIUS Act does not preempt state consumer protection laws.

Bankruptcy/Insolvency Considerations

The GENIUS Act provides significant protections for payment stablecoin holders in the event of a PPSI’s insolvency and contains amendments to the Bankruptcy Code to implement these protections. Specifically, the GENIUS Act amends Section 541 of the Bankruptcy Code to exclude stablecoin reserves from property of the bankruptcy estate, treating such reserves instead as property of the customer. The GENIUS Act also provides stablecoin holders with a priority claim to the reserves that is senior to any other claims against the stablecoin issuer with respect to the reserves. Somewhat inconsistently, the Act amends Section 362 of the Bankruptcy Code to apply the bankruptcy automatic stay to the redemption of stablecoins, and at the same time provides a mechanism to stablecoin holders to obtain relief from the stay, with distributions to begin within 14 days of the hearing on the stay relief motion. In addition, the Act amends Section 507 of the Bankruptcy Code to provide that if the reserves are insufficient, stablecoin holders will have a superpriority claim against the stablecoin issuer for any deficiency, senior to all other claims, including administrative claims.

This bankruptcy treatment of stablecoins under the GENIUS Act means that the protection provided to stablecoin holders appears stronger than the protection provided to secured creditors because the reserve is akin to a protected trust held outside of the bankruptcy estate of the issuer. Unlike traditional collateral held by a debtor, stablecoin reserves likely cannot be used by the issuer for any other purpose or pledged

⁹ The Secretary of the Treasury will issue rulemaking to establish broad-based principles for determining whether a state-level regulatory regime is substantially similar to the federal regulatory framework under the GENIUS Act. State regulators must submit to the Secretary of the Treasury an initial certification of substantial similarity by July 18, 2026, and annual recertifications thereafter. If a state fails to submit a certification, or if the Secretary rejects it, PPSIs in such state will be subject to the federal framework, regardless of market cap. The Secretary of the Treasury’s determination can be challenged in the U.S. District Court for the District of Columbia. The Treasury will maintain a public list of compliant states in the Federal Register and on its website.

to secure a loan. The GENIUS Act enables stablecoin holders to consent to other claims to have priority, thus providing potential flexibility the opportunity for negotiation, particularly if the stablecoin holders are organized or have a representative.

Looking Ahead

The GENIUS Act is the first legislation in the United States that establishes a federal-state regulatory framework for the issuance, sale, and exchange of payment stablecoins. Persons issuing – or planning to issue – payment stablecoins in the United States should assess the requirements of the GENIUS Act in conjunction with forthcoming rulemakings to determine what steps they would need to take to come into compliance with the Act. Existing issuers should pay particular attention to the Act’s deadlines, as they must demonstrate compliance with requirements, including application requirements to the appropriate payment stablecoin regulator, in a relatively short timeframe. Foreign issuers should closely monitor proposed rulemaking, which will provide further clarity on applicable requirements and in particular, guidance for determining whether a foreign stablecoin regulatory regime is compatible with the U.S. federal regime.

Authors

This GT Alert was prepared by:

- [Marina Olman-Pal](#) | +1 305.579.0779 | Marina.Olman@gtlaw.com
- [Barbara A. Jones](#) | +1 310.586.7773 | Barbara.Jones@gtlaw.com
- [John B. Hutton III](#) | +1 305.579.0788 | huttonj@gtlaw.com
- [Tracy S. Combs](#) | +1 801.478.6900 | Tracy.Combs@gtlaw.com
- [Robert Mangas](#) | +1 202.530.8507 | mangasr@gtlaw.com
- [Hilary R. Sledge-Sarnor](#) | +1 310.586.7825 | Hilary.SledgeSarnor@gtlaw.com
- [Jera L. Bradshaw](#) | +1 214.665.3781 | Jera.Bradshaw@gtlaw.com
- [Tiffanie Monplaisir](#) | +1 305.579.0682 | Tiffanie.Monplaisir@gtlaw.com

Albany. Amsterdam. Atlanta. Austin. Berlin[†]. Boston. Charlotte. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Houston. Kingdom of Saudi Arabia[‡]. Las Vegas. London[§]. Long Island. Los Angeles. Mexico City⁺. Miami. Milan[¶]. Minneapolis. Munich[‡]. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Portland. Sacramento. Salt Lake City. San Diego. San Francisco. São Paulo[»]. Seoul[∞]. Shanghai. Silicon Valley. Singapore[‡]. Tallahassee. Tampa. Tel Aviv[^]. Tokyo[¶]. United Arab Emirates[<]. Warsaw[‡]. Washington, D.C. West Palm Beach. Westchester County.

This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice nor as a solicitation of any type. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer’s legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. †Greenberg Traurig’s Berlin and Munich offices are operated by Greenberg Traurig Germany, LLP, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ‡Operates as a separate UK registered legal entity. ‡Greenberg Traurig operates in the Kingdom of Saudi Arabia through Greenberg Traurig Khalid Al-Thebity Law Firm, a professional limited liability company, licensed to practice law by the Ministry of Justice. +Greenberg Traurig’s Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. »Greenberg Traurig’s Milan office is operated by Greenberg Traurig Studio Legal Associato, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. †Greenberg Traurig’s São Paulo office is operated by Greenberg Traurig Brazil Consultores em Direito Estrangeiro – Direito Estadunidense, incorporated in Brazil as a foreign legal consulting firm. Attorneys in the São Paulo office do not practice Brazilian law. ∞Operates as Greenberg Traurig LLP

Foreign Legal Consultant Office. [†]Greenberg Traurig's Singapore office is operated by Greenberg Traurig Singapore LLP which is licensed as a foreign law practice in Singapore. [^]Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. [¤]Greenberg Traurig's Tokyo Office is operated by GT Tokyo Horitsu Jimusho and Greenberg Traurig Gaikokuhojimubengoshi Jimusho, affiliates of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. [◁]Greenberg Traurig's United Arab Emirates office is operated by Greenberg Traurig Limited. [~]Greenberg Traurig's Warsaw office is operated by GREENBERG TRAUIG Nowakowska-Zimoch Wysokiński sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in GREENBERG TRAUIG Nowakowska-Zimoch Wysokiński sp.k. are also shareholders in Greenberg Traurig, P.A. Images in this advertisement do not depict Greenberg Traurig attorneys, clients, staff or facilities. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. ©2025 Greenberg Traurig, LLP. All rights reserved.