BLOCKCHAIN ASSOCIATION

June 2, 2026

Via electronic submission: http://www.regulations.gov

Rachel Miller
Performing the Non-Exclusive Functions and Duties of
General Counsel
U.S. Department of the Treasury
1500 Pennsylvania Avenue N.W.
Washington, D.C. 20220

Re: GENIUS Act Broad-Based Principles for Determining Whether a State-Level Regulatory Regime Is Substantially Similar to the Federal Regulatory Framework

Dear Ms. Miller:

The Blockchain Association ("BA") submits this letter in response to the request for comments by the U.S. Department of the Treasury ("Treasury") on its Proposed Rule implementing Section 4(c) of the Guiding and Establishing National Innovation for U.S. Stablecoins Act ("GENIUS Act" or the "Act") by establishing broad-based principles for determining when a State-level regulatory regime is substantially similar to the Federal regulatory framework. See 91 Fed. Reg. 16,844 (Apr. 3, 2026).

BA is the leading nonprofit membership organization dedicated to promoting a pro-innovation policy environment for the digital asset industry. BA endeavors to achieve regulatory clarity and to educate policymakers, regulators, courts, and the public about how blockchain technology can pave the way for a more secure, competitive, and consumer-friendly digital marketplace. BA represents more than 100 member companies that reflect the wide range of the emerging blockchain industry, including software developers, infrastructure providers, exchanges, custodians, investors, and others supporting the public blockchain ecosystem.

I. Introduction and Executive Summary

BA supports Treasury's efforts to establish a clear and workable pathway for States to implement their own regulatory frameworks for payment stablecoins under Section 4(c) of the GENIUS Act. In enacting the GENIUS Act, Congress deliberately preserved a role

for State supervision alongside the Federal framework, reflecting the longstanding tradition of the dual banking system in the United States. The Proposed Rule appropriately recognizes that State regulators will continue to play an important role in fostering responsible innovation that boosts local economic activity while still operating within a consistent national framework.

BA has long advocated for greater regulatory clarity in the digital asset industry, particularly through transparent notice-and-comment rulemaking processes. Inconsistent compliance expectations across jurisdictions have historically led to regulatory uncertainty in the United States, impeding responsible innovation and discouraging investment and product development. By establishing broad-based principles for determining whether a State-level regulatory regime is "substantially similar" to the Federal regulatory framework, Treasury can reassure American customers that consumer protection remains a hallmark of any future standards applicable to stablecoin issuance in the United States.

BA further supports Treasury's effort to strike an appropriate balance between nationwide consistency and State-level flexibility regarding the substance of State-level regulatory frameworks. State-level flexibility should not be understood to permit loose comparability, regulator shopping, or materially different standards across regulatory regimes. A State regime should be considered to "meet or exceed" the Federal framework only where it matches the Federal baseline anchored by the Office of the Comptroller of the Currency ("OCC") for uniform requirements and is demonstrably more protective, not merely different, for State-calibrated requirements. A proper balancing of consistency and flexibility can preserve the benefits of State discretion over the operations of its supervisory regimes while ensuring that all permitted payment stablecoin issuers ("PPSIs") are subject to the same robust prudential safeguards regardless of which regulatory regime oversees them.

II. Treasury's Mandate Under the GENIUS Act

This rulemaking implements the GENIUS Act's statutory framework for payment stablecoins. See 12 U.S.C. §§ 5901 et seq. The Act "protects consumers from nefarious actors in financial markets," "attract[s] more digital asset activity to the country by providing clear rules and promoting responsible innovation in the stablecoin market," and

"combat[s] illicit activity in digital assets."[1] Section 4(a) of the Act outlines the core prudential requirements that PPSIs must satisfy to legally issue payment stablecoins in the United States. See 12 U.S.C. § 5903(a). These requirements include reserve, redemption, risk management, disclosures, and operational compliance obligations applicable to PPSIs. In many ways, Section 4(a) is the bedrock of the regulatory framework outlined in the GENIUS Act, ensuring that stablecoins remain fully backed, easily redeemable digital assets that maintain a stable value relative to the U.S. dollar.

To issue payment stablecoins within the United States, an entity must be certified as a PPSI by the relevant Federal stablecoin regulator. Depending on the structure and charter of the PPSI, it would be primarily regulated under the Board of Governors of the Federal Reserve System ("Board"), the Federal Deposit Insurance Corporation ("FDIC"), the National Credit Union Administration ("NCUA"), or the OCC. Collectively known as the "primary Federal payment stablecoin regulators," these agencies are responsible for establishing a process and framework for the licensing, regulation, examination, and supervision of PPSIs. See 12 U.S.C. § 5901(25).

An entity can also be certified as a PPSI at the State level. Section 4(c) of the GENIUS Act allows State qualified payment stablecoin issuers ("SQPSIs") with a consolidated outstanding issuance of not more than $10 billion to opt into regulation under a State-level regulatory regime, provided that the regime is "substantially similar" to the Federal regulatory framework. See 12 U.S.C. § 5903(c). The Stablecoin Certification Review Committee ("SCRC")—composed of the Treasury Secretary, the Chair of the Board, and the Chair of the FDIC—may approve a State-level framework if it is deemed substantially similar to the Federal framework. The Proposed Rule identifies broad-based principles for determining whether a State-level regulatory regime meets this "substantially similar" standard. See 91 Fed. Reg. at 16,844.

BA largely agrees with Treasury's proposed approach to establishing these principles and emphasizes the following points:

- The definition of "Federal regulatory framework" should not only encompass the statutory text of the GENIUS Act, but also the regulations, interpretations, and

[1] *Fact Sheet: President Donald J. Trump Signs GENIUS Act into Law*, The White House (July 18, 2025), https://tinyurl.com/chutjkkm; *see also FACT SHEET: The GENIUS Act Protects Consumers*, S. Comm. on Banking, Hous. & Urb. Affs. (Apr. 16, 2025), https://tinyurl.com/2md9njxr.

orders issued by Treasury pursuant to Sections 4(a)(5) and (6) of the Act. See 12 U.S.C. § 5903(a)(5)–(6).

- The SCRC should evaluate substantial similarity using a section-by-section standard for uniform requirements and a holistic, outcomes-oriented analysis only for State-calibrated requirements.
- Treasury should modify its proposed definition of "uniform requirement" to make explicit that a State substantively deviates from the Federal regulatory framework where its regime narrows, limits, conditions, or expands any uniform requirement, or any other provision of the Act, in a way that alters its scope or practical effect.
- Certain requirements, such as all components of reserve asset composition and redemption obligations, should always be treated as uniform requirements.
- All statutory definitions in the GENIUS Act should be classified as uniform requirements to ensure that State frameworks remain consistent with the Federal baseline and with each other.
- Treasury should replace the term "substantive discretion" with language that accurately reflects the bounded nature of State rulemaking authority under the Act.
- States must retain authority over State-calibrated requirements, including with respect to certain applications of distributed ledger technology, provided that such requirements do not materially affect regulatory outcomes.
- Treasury should clarify that State consumer protection authority may not be used to impose separate licensing, authorization, greenlisting, token approval, registration, or similar market-access requirements on federally supervised PPSIs.
- Treasury should consider a passporting mechanism where SQPSIs licensed in States whose frameworks have received SCRC approval could operate in other States without duplicative licensing requirements.

III. The Definition of "Federal Regulatory Framework"

In response to Question 2 of the Proposed Rule, BA agrees that Treasury's proposed definition of "Federal regulatory framework" appropriately encompasses both the statutory text of the Act and implementing regulations and interpretations published in the Federal Register.[2] For purposes of evaluating substantial similarity under Section 4(c) of the Act, the Federal regulatory framework should be anchored to OCC regulations and

[2] See *GENIUS Act Broad-Based Principles for Determining Whether a State-Level Regulatory Regime Is Substantially Similar to the Federal Regulatory Framework,* 91 Fed. Reg. 16,847 (Apr. 3, 2026).

interpretations published in the Federal Register, given that most SQPSIs are nonbank entities that would transition to OCC supervision upon exceeding the $10 billion threshold. See 91 Fed. Reg. at 16,846. Tying the GENIUS Act baseline to the OCC's framework provides States with a clear and administrable benchmark against which to calibrate their own regimes.[3] Treasury should make clear that this OCC-anchored benchmark is the single Federal floor for substantial-similarity determinations. States should not be permitted to choose among Federal regulatory frameworks, combine preferred elements from multiple Federal regimes, or treat divergence from the OCC baseline as equivalent simply because the State regime is protective in some other respect.

In response to Question 3, BA believes that Treasury's own regulations, interpretations, and orders should govern the Federal regulatory framework with respect to Sections 4(a)(5) and 4(a)(6) of the Act, which outline the treatment of PPSIs as financial institutions for purposes of the Bank Secrecy Act ("BSA"), sanctions compliance, and other obligations intended to prevent the illicit use of stablecoins.[4] See 12 U.S.C. § 5903(a)(5)–(6). This preserves Treasury's authority to respond to the technical and legal complexity surrounding the illicit use of digital assets. Given the evolving nature of BSA and sanctions requirements, States should generally defer to Treasury's rules in these areas rather than attempt to reproduce them. The definition of "Federal regulatory framework" should reflect that the Federal requirements outlined in the Act, including those to be determined by rulemaking, apply directly to SQPSIs as a matter of federal law, regardless of how a State-level regulatory regime treats stablecoin issuers.

IV. Determining Substantial Similarity

The GENIUS Act was enacted to ensure that payment stablecoins function as reliable and fungible instruments across the U.S. economy. A parallel State and Federal supervisory system cannot operate effectively if payment stablecoins issued under different State regimes are subject to materially different standards that undermine market confidence or impair the interchangeability of stablecoins with other assets. The success of the GENIUS Act depends on maintaining consistent nationwide standards

[3] See Letter from Blockchain Association to Office of the Comptroller of the Currency, *Re: Implementing the GENIUS Act* (May 2026), available at https://theblockchainassociation.org/posts/blockchain-association-comment-letter-on-genius-act-to-the-office-of-the-comptroller-of-the-currency.

[4] See 91 Fed. Reg. at 16,847.

sufficient to ensure that payment stablecoins issued under any regulatory framework remain trusted, fully backed, and promptly redeemable on substantially equivalent terms.

For this reason, Treasury appropriately recognizes that State-level regulatory regimes must satisfy core prudential requirements comparable to those imposed under the Federal regulatory framework. To be "substantially similar," a State-level regime must "meet or exceed" the requirements of Section 4(a) of the GENIUS Act. See 91 Fed. Reg. at 16,864. The Proposed Rule correctly recognizes that substantial similarity allows States to exercise discretion in certain domains while ensuring that materially equivalent safeguards are in place with respect to the Act's foundational prudential protections.

In response to Question 4, the proposed rule strikes this balance by sorting the requirements in Section 4(a) into two categories: "uniform requirements" and "State-calibrated requirements."[5] With regard to uniform requirements, State-level regimes must be consistent with the Federal regulatory framework "in all substantive respects" to be deemed substantially similar. See 91 Fed. Reg. at 16,864. On the other hand, States have greater flexibility regarding State-calibrated requirements, so long as they yield regulatory outcomes that are "at least as stringent and protective" as the Federal regulatory framework. *Id.* This dual approach appropriately recognizes that certain core prudential safeguards must remain materially consistent across State and Federal regulatory regimes to preserve consumer confidence, liquidity, and interoperability among payment stablecoins issued in the United States. At the same time, States can retain flexibility to tailor aspects of their supervisory and administrative frameworks to reflect differences in institutional structure, local market conditions, and regulatory expertise.

In response to Question 10, BA recommends applying a two-track standard for evaluating substantial similarity in State regulatory regimes.[6] For uniform requirements, the SCRC should apply a section-by-section consistency standard, requiring that State regimes mirror the Federal regulatory framework in all substantive respects. In this context, "meets or exceeds" should be understood to mean uniformity with the OCC-anchored Federal baseline, not loose comparability, regulator shopping, or the substitution of materially different standards that happen to produce similar outcomes.

[5] *Id.*
[6] *Id.* at 16,849.

Furthermore, a State regime should not be able to compensate for a weaker requirement in one area of its regulatory framework by pointing to a stronger requirement in another. Such tradeoffs would weaken the Act's common prudential perimeter and create incentives for issuers to select a State regime based on the most permissive treatment of certain core requirements. Substantial similarity should therefore be assessed requirement-by-requirement for uniform obligations, with no scoring system, balancing test, or generalized equivalence standard that permits any deviations.

For State-calibrated requirements, a holistic, outcomes-oriented analysis remains appropriate. The SCRC should therefore assess whether a State-level regulatory regime, considered as a whole with respect to these provisions, produces outcomes that are at least as stringent and protective as the Federal framework, without demanding formal uniformity where Congress did not require it.

BA further recommends that Treasury modify its proposed definition of "uniform requirement" to make explicit that a State materially deviates from the Federal regulatory framework where its regime narrows, limits, conditions, or expands any uniform requirement, or any other provision of the Act, in a way that alters its scope or practical effect. As currently drafted, the definition describes what uniform requirements are, but does not specify what constitutes a material deviation. See 91 Fed. Reg. at 16,864. Without this clarification, a State could argue that technically incorporating a requirement while substantively limiting or expanding its application remains consistent with the Federal framework. Treasury should foreclose this possibility by building the narrowing, limiting, conditioning, and expanding standard directly into the definition of "uniform requirement" itself.

By harmonizing State-level flexibility with a consistent Federal baseline, the GENIUS Act has the opportunity to improve upon prior models of financial regulation that produced fragmented State-by-State requirements. The current patchwork of State money transmission licensing (MTL) regimes, where definitions, requirements, and compliance expectations vary materially across jurisdictions, offers a cautionary example of what regulatory fragmentation can produce in practice.[7] Issuers operating across multiple

[7] See, *e.g.,* Coin Center. The Need for a Federal Alternative to State Money Transmission Licensing (Jan. 2018), https://coincenter.org/the-need-for-a-federal-alternative-to-state-money-transmission-licensing/; see also Conference of State Bank Supervisors, *The Reality of Money Transmission: Secure, Convenient, and Trusted Under State Supervision* (Nov. 12, 2024), https://www.csbs.org/reality-money-transmission-secure-convenient-and-trusted-under-state-supervision.

States face duplicative examinations, inconsistent compliance obligations, and significant administrative burden, with little corresponding benefit to consumers or the financial system. Treasury should take this opportunity to encourage States seeking SCRC approval to align their regulatory frameworks with one another, not merely with the federal baseline, so that the GENIUS Act does not inadvertently replicate the fragmented MTL regime.

V. Uniform Requirements

BA agrees that "uniform requirements" should include those foundational prudential standards most directly tied to customer safety and the soundness and redeemability of payment stablecoins. This should encompass the entirety of Section 4(a) of the GENIUS Act, including all requirements related to reserve asset composition and redemption processes. See 12 U.S.C. § 5903(a). The composition, quality, liquidity, and custody of reserve assets directly determine whether a payment stablecoin can reliably maintain its value and satisfy redemption demands during periods of market stress. Likewise, consistent redemption standards are essential to ensuring that holders of payment stablecoins can redeem their stablecoins promptly and predictably, regardless of the jurisdiction in which the issuer is supervised. Allowing materially divergent State standards in these areas could undermine fungibility among payment stablecoins, reduce overall market liquidity, create incentives for regulatory arbitrage, and weaken confidence in the broader payment stablecoin ecosystem.

Furthermore, to ensure that State frameworks are truly substantially similar to the Federal baseline, BA urges Treasury to classify all definitions in the GENIUS Act as uniform requirements. This is essential to ensure that State frameworks are consistent with the Federal framework and with one another, a requirement to ensure that stablecoins remain fungible and interoperable across State boundaries.

For example, the definition of "payment stablecoin" in Section 2(22) serves as the linchpin of the GENIUS Act's regulatory framework, anchoring all downstream obligations and requirements. "Payment stablecoins" are a narrow category of digital assets that are centralized, fully-backed by an enumerated list of reserve assets, and designed as a means of payment or settlement. See 12 U.S.C. § 5901(22). The GENIUS Act applies only to these assets; other categories of stablecoins, such as decentralized or algorithmic stablecoins, are fully outside the scope of the Act. Relatedly, the GENIUS Act expressly

excludes deposits, including deposits recorded using distributed ledger technology, from the definition of "payment stablecoin." As States develop parallel supervisory frameworks for tokenized deposits, Treasury should confirm that the "substantially similar" evaluation under Section 4(c) applies exclusively to payment stablecoin regulatory regimes and does not extend to, or otherwise constrain, how States choose to regulate tokenized deposits. States must not have the discretion to reinterpret the definition of "payment stablecoin" so as to capture asset classes that Congress intentionally did not address in the GENIUS Act.

Additionally, the definition of "digital asset service provider" in Section 2(7)(A) is used throughout the GENIUS Act to capture centralized entities, while explicitly excluding participants in decentralized networks in Section 2(7)(B), such as distributed ledger protocols, validators, and developers of noncustodial, noncontrolling software interfaces. See 12 U.S.C. § 5901(7). Similarly, States should not have the discretion to broaden or narrow the definition of "digital asset service provider" beyond what Congress intended it to capture. To ensure that State regulatory regimes remain consistent with the Federal framework, these key definitions, along with all other definitions in the GENIUS Act, must be consistent across State frameworks.

VI. State-Calibrated Requirements

Treasury's proposed definition of "State-calibrated requirement" introduces the concept of "substantive discretion" to describe the latitude afforded to State regulators, but that framing has no basis in the text of the GENIUS Act. See 91 Fed. Reg. at 16,864. The word "discretion" appears only twice in the Act, and neither instance grants States "substantive discretion" with respect to rulemaking. See 12 U.S.C. §§ 5903(a)(1)(B)(i), 5905(b)(4)(C). Wherever States are permitted to issue rules beyond the Federal baseline, those rules must still satisfy the Act's "substantially similar" standard, meaning State flexibility is not open-ended. Characterizing that constrained authority as "substantive discretion" risks overstating State autonomy in a manner the Act's text simply does not support.

When appropriate, "State-calibrated requirements" permit States to exercise authority in areas where differing implementation approaches can still achieve regulatory outcomes that are at least as stringent and protective as those required under the Federal framework. See 91 Fed. Reg. at 16,864. For example, States should retain flexibility in applying licensing, chartering, supervision, and consumer regulations as enumerated in

Section 7 of the GENIUS Act. See 12 U.S.C. § 5906. Technology-related requirements, including distributed ledger type, smart contract architecture, and custody-and-control mechanisms, should likewise be evaluated on a functional, outcomes-oriented basis within the State-calibrated category, such that a State regime permitting a different technological architecture is not automatically deemed non-similar, provided it achieves equivalent regulatory outcomes. This approach preserves the ability of State-level agencies to tailor their rules to the unique risks, resources, and regulatory structure within their jurisdiction. Localized regulation in these areas promotes State-level innovation and technological experimentation while maintaining the consistent national prudential baseline necessary for payment stablecoins to function effectively across the broader U.S. economy.

VII. State Consumer Protection and Market-Access Requirements

Furthermore, Treasury should require the SCRC to evaluate State-level regulatory regimes in their entirety, including generally applicable digital asset, money transmission, consumer protection, foreign stablecoin issuer, and other laws that affect authorization, market access, supervision, or consumer-facing activity. A State regime should not be assessed only by reference to its stablecoin-specific regulatory framework if other State requirements materially alter how PPSIs may operate. Treasury should clarify that State consumer protection authority may not be used to impose separate licensing, authorization, greenlisting, token approval, registration, or similar market-access requirements on federally supervised PPSIs. Although the GENIUS Act preserves non-conflicting State consumer protection laws, that preservation should not be read to allow host States to recreate State-by-State approval regimes for payment stablecoins.

A contrary approach would undermine the Act's purpose of establishing a consistent national framework for PPSIs. If each State could condition an issuer's ability to offer, redeem, support, or otherwise make a payment stablecoin available in that State on separate State approval, federally supervised issuers and out-of-State PPSIs would face a fragmented market-access regime inconsistent with the GENIUS Act's structure.

Treasury should therefore evaluate State requirements based on function and effect, not labels. Generally applicable consumer protection laws should continue to apply where they do not conflict with or materially impair the Federal framework. But stablecoin-specific requirements that function as licensing, authorization, product

approval, or market-access conditions should not be treated as permissible consumer protection measures.

Treasury should also consider whether the substantial similarity framework could support a passporting mechanism, whereby SQPSIs licensed in States whose frameworks have received SCRC approval could operate in other States without duplicative licensing requirements. Certain States with mature regulatory infrastructures could serve as flagship jurisdictions, effectively anchoring a mutual recognition system among approved State regimes. This would reduce barriers to entry for smaller issuers, promote interstate commerce in payment stablecoins, and create positive competitive incentives for States to develop robust, SCRC-approved frameworks. Such an approach mirrors passport regimes in other regulatory contexts and would meaningfully advance the GENIUS Act's goal of fostering responsible innovation while preserving strong prudential standards.

VIII. Conclusion

We appreciate the opportunity to comment on the Proposed Rule. Treasury should adopt the Proposed Rule with the revisions described above. In doing so, Treasury should ensure that the final framework protects the economic integrity of payment stablecoins while preserving the operational utility, settlement speed, and flexibility that users and market participants increasingly expect from dollar-backed digital instruments. BA welcomes the opportunity to meet with Treasury staff to address any questions regarding this comment letter.

Respectfully submitted,

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