



May 18, 2026

VIA ELECTRONIC SUBMISSION

Jennifer M. Jones
Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Re: Comment on Federal Deposit Insurance Corporation Notice of Proposed Rulemaking Regarding Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act Implementation (RIN 3064-AG20)

Dear Ms. Jones:

We write on behalf of the Blockchain Association (the “BA”) in response to the Federal Deposit Insurance Corporation’s (“FDIC’s”) December 16, 2025 Notice of Proposed Rulemaking soliciting public comment on application procedures for FDIC-supervised institutions to obtain approval to issue Payment Stablecoins through a subsidiary under the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act (the “Act”).

BA appreciates the FDIC’s leadership in implementing Congress’s vision and offers the comments below to align the final rule with the Act’s pro-innovation framework and safety-and-soundness objectives.

I. Background

BA is the leading nonprofit membership organization dedicated to promoting a pro-innovation policy environment for the digital asset economy.¹ 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 member companies reflecting the wide range of the dynamic blockchain industry, including software developers, infrastructure providers, exchanges, custodians, investors, and others supporting the public blockchain ecosystem. Many of those member companies are building, supporting, or are deeply interested in stablecoin products in the United States.

The Act was signed into law on July 18, 2025, and aims to establish the first federal regulatory framework for “Payment Stablecoins.” BA, as well as other organizations across the cryptocurrency and financial sectors, lauded the passage of the Act as an overdue step towards

¹ See Blockchain Association, <https://theblockchainassociation.org>.

regulatory clarity and innovation. The FDIC has an important role in establishing procedures for FDIC-supervised institutions seeking to issue Payment Stablecoins consistent with congressional intent.

II. Discussion

a. Application Process Outlined by Congress (*Question 1*)

The Act specifically regulates “Payment Stablecoins.” A Payment Stablecoin is defined as: (A) a digital asset (i) that is, or is designed to be, used as a means of payment or settlement; and (ii) the issuer of which (I) is obligated to convert, redeem, or repurchase for a fixed amount of monetary value; and (II) represents it will maintain or creates the reasonable expectation that it will maintain a stable value relative to the value of a fixed amount of monetary value; and (B) that is not (i) a national currency; (ii) a deposit (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. § 1813)) including a deposit recorded using distributed ledger technology; or (iii) a security issued as defined under the Securities Act of 1933, the Securities Exchange Act of 1934, or the Investment Company Act of 1940. *See* Act § 2(22). The Act prohibits anyone other than a “Permitted Payment Stablecoin Issuer” from issuing Payment Stablecoins in the United States. *See* Act § 3(a). Permitted Payment Stablecoin Issuer is defined as “a person formed in the United States that is (A) a subsidiary of an insured depository institution that has been approved to issue payment stablecoins . . . (B) a Federal qualified payment stablecoin issuer; or (C) a State qualified payment stablecoin issuer.” *See* Act § 2(23).

Section 5(c) requires a regulator to consider several specific factors when reviewing an application. It must assess: (1) “the ability of the applicant (or, in the case of an applicant that is an insured depository institution, the subsidiary of the applicant), based on financial condition and resources,” to meet the requirements for issuing Payment Stablecoins; (2) “whether an individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud is serving as an officer or director of the applicant”; (3) “the competence, experience, and integrity of the officers, directors, and principal shareholders of the applicant, its subsidiaries, and parent company,” including both “the record of those officers, directors, and principal shareholders of compliance with laws and regulations” and “the ability of those officers, directors, and principal shareholders to fulfill any commitments to, and any conditions imposed by, their primary Federal payment stablecoin regulator” in connection with their current and prior applications; and (4) the redemption policy of the applicant. *See* Act §§ 5(c)(1)-(4). Additionally, the regulator may consider “any other factors . . . that are necessary to ensure the safety and soundness” of the Permitted Payment Stablecoin Issuer. *See* Act § 5(c)(5).

Congress enacted the Act to promote competition and private-sector innovation by establishing several pathways for entities to qualify as Permitted Payment Stablecoin Issuers (“PPSIs”). The Act explicitly envisions participation from a range of institutions—including bank subsidiaries, fintech firms, and other non-bank entities—to ensure a diverse and competitive market. Accordingly, the FDIC’s final rule should align closely with the Act’s framework, particularly the statutory review factors outlined in Section 5(c), which govern how applications from prospective PPSIs are to be evaluated.

In order to reflect the application process Congress outlined in the Act adequately, BA believes that two ideas should underlie the language of proposed § 303.252.

First, Congress clearly intended that the issuing entity itself—not its parent—be the source of, and solely responsible for, all obligations under the Act. *See* Act § 5(c)(1) (considering “[t]he ability of the applicant (or, in the case of an applicant that is an insured depository institution, the subsidiary of the applicant) . . . to meet the requirements”). This structure is meant to ensure that the PPSI independently maintains comprehensive risk-management capabilities and fulfills all regulatory and supervisory reporting obligations associated with Payment Stablecoin activity. For safety and soundness concerns, it is critical that an issuing entity not be able to rely on a parent’s or affiliate’s separate customer deposits—deposits derived from sources other than the direct fiat payment for the Payment Stablecoin, and which may be subject to competing claims for return—as the “identifiable reserves backing the outstanding Payment Stablecoin” as specified in § 4(a)(1)(A) of the Act.

Second, the Act permits denying applications only where activities would be “unsafe or unsound” based on the factors described in Section 5(c). *See* Act § 5(d)(2)(A)(i). In implementing safety-and-soundness standards for bank subsidiaries, the FDIC should refrain from imposing extra-statutory expectations that could create undue burdens for newer entrants, such as relying on generalized reputational concerns or broad skepticism of digital assets that are not grounded in the Act’s criteria. A framework that only the largest banks and their subsidiaries can realistically navigate would undermine Congress’s policy objectives by entrenching “too-big-to-fail” institutions and pushing innovation offshore. Conversely, the PPSI application process should likewise not operate as an implicit gatekeeping mechanism that deters banks and their subsidiaries from engaging in stablecoin activities, as such an approach would conflict with both the Act’s purposes and the FDIC’s goals.²

These dual concerns appear in several areas of the proposed rulemaking, as set forth below.

b. Filing Content Requirements (Question 3)

Depending on its structure, a bank-affiliated PPSI may present distinct contagion risks for broader economic stability. Parent guarantees, support agreements, or other intercompany arrangements may entangle the subsidiary issuer with its insured depository institution parent. The proposed filing content requirements should consider these intra-group commitments. Any such intra-group commitments should be scrutinized to ensure that the PPSI’s bankruptcy protections remain unencumbered in the event of either the parent’s or its own insolvency.

The FDIC should make clear that, in the event of a PPSI’s insolvency, stablecoin holders enjoy a “super-priority” claim on the segregated reserve assets, in contrast to depositors and general creditors of the parent bank. This approach would reinforce the integrity of the ring-fenced reserve structure and limit contagion channels between the subsidiary’s stablecoin business and the broader banking organization.

² *See* FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities (Mar. 28, 2025), *available at* <https://www.fdic.gov/news/financial-institution-letters/2025/fdic-clarifies-process-banks-engage-crypto-related>.

c. “Other Factors” (Question 4)

Although the Act permits regulators to consider “other factors” to ensure safety and soundness (Act § 5(c)(5)), that category should be construed narrowly and anchored in clearly identifiable, objective risks, such as operational resilience, cybersecurity, and custody arrangements. Keeping these criteria objective and specifically defined would promote consistent application across regulators and issuer types, reduce uncertainty for applicants, and limit the potential for arbitrary or uneven outcomes.

The FDIC should also apply these objective criteria in a technology-neutral manner. The use of distributed ledger technology, public, permissioned, or hybrid network architectures, smart contracts, zero-knowledge or other privacy-preserving technologies, or third-party infrastructure providers should not be treated as a negative factor in the application review. Instead, the FDIC should evaluate whether the applicant has demonstrated appropriate controls for operational resilience, cybersecurity, custody and control, auditability, supervisory access, incident response, and continuity of redemptions.

The FDIC should not treat “other factors” as a broad catch-all for advancing general policy preferences that are unmoored from a potential issuer’s concrete and objective risk profile. In particular, this residual category should not become a vehicle for concerns outside the statute’s focus, such as vague, speculative competition worries or generalized skepticism about digital assets that do not relate to measurable safety and soundness risks.

That said, in reviewing applications from subsidiaries or affiliates of larger financial institutions, the FDIC should consider, given the close interlinkages between potential bank-subsidary issuers and their insured depository institution parents, implementing explicit, ongoing reporting requirements covering the full scope of relationships among the issuer, its parent, and any related or institution-affiliated parties. At a minimum, this reporting should address lines of credit and other lending facilities between the entities; custody and reserve management arrangements (including any cross-institutional custody of stablecoin reserves and the controls governing those arrangements); and related-party transactions, such as the PPSI’s reliance on the parent’s payment, clearing, or settlement services. It should also encompass recovery and resolution planning for scenarios involving the distress or insolvency of any affiliated party, with focus on preserving the integrity and accessibility of reserve assets. More broadly, the FDIC should retain the ability to request any additional information necessary to confirm that the PPSI’s balance sheet remains sufficiently independent and that intercompany relationships do not compromise the safety, soundness, or resolvability of the Payment Stablecoin business.

If the FDIC later determines that additional review factors are warranted, expansion should occur through notice-and-comment rulemaking, not *ad hoc* case-by-case determinations. This method will help to ensure clear and evenhanded rules of the road for businesses in this space.

d. Segregated Reserves and Sufficient Capital (Question 5)

The Act’s reserve and segregation framework is central to both Payment Stablecoin holder protection and broader financial stability.

The Act requires PPSI to maintain identifiable, one-to-one reserves backing all outstanding Payment Stablecoins. *See* Act §§ 4(a)(1)(A). This requirement ensures that there is an equivalent unit of reserve assets for every Payment Stablecoin in circulation. These reserves must be held in a manner that allows regulators and auditors to verify their sufficiency and composition. *See* Act § 4(a)(10). The Act also requires that “Payment Stablecoin reserves, Payment Stablecoins, cash, and other property of a Permitted Payment Stablecoin Issuer or customer shall be separately accounted for by a [custodian] and shall be segregated from and not be commingled with the assets of the [custodian].” Act § 10(c)(1). Together, these requirements are designed to ensure that Payment Stablecoin holders can reliably redeem their holdings at par, even under stress, and that losses from other lines of business cannot be transmitted to the reserve pool.

To reinforce these statutory protections, the FDIC should clarify that a PPSI’s reserves must be legally and operationally segregated from the parent insured depository institution’s assets and liabilities. This would ensure that the reserve assets are owned or held for the benefit of the PPSI (and ultimately its customers) in a way that is clearly legally distinguishable from the parent bank’s balance sheet. This would help ensure for example, that those assets are not available to satisfy the parent’s general creditors in any insolvency. Additionally, internal systems and controls should treat the reserve pool as a distinct ring-fenced asset base, with dedicated accounting, risk management, and oversight.

This structural separation yields several concrete benefits. First, the reserve pool will be easier to identify, monitor, and, if necessary, transfer to another qualified entity in a resolution or wind-down scenario, supporting continuity of redemptions. Second, the separation clarifies that Payment Stablecoin claims are obligations of the PPSI, not of the parent bank, thereby reducing contagion risk from the stablecoin business to the broader banking entity. Third, it minimizes depositor and user confusion by making clear that Payment Stablecoin holders rely on fully backed, segregated reserves — not implicit access to the parent bank’s deposit base or safety net. Taken together, these features promote orderly operations in normal times, and clearer playbooks in stress scenarios.

The FDIC’s implementing rules should clarify segregation expectations to help applicants design their corporate structures, custody arrangements, and internal controls to align with supervisory expectations from the outset. Clarity on this point would also support consistent treatment across institutions, reducing the risk that similar structures are evaluated differently in individual applications.

At the same time, the FDIC should avoid imposing reserve, liquidity, or structural requirements that effectively re-characterize the Payment Stablecoin business as a generalized funding source for the parent bank. If reserve assets are allowed to function as *de facto* deposits, the core premise of fully backed, redeemable Payment Stablecoins is undermined, and the risk profile begins to resemble more traditional banking intermediation without the same clear protections such as reserve requirements or bankruptcy protections. Preserving a clean separation between reserves and the parent’s broader balance sheet is therefore essential to maintaining the policy balance struck by the Act.

Additionally, applications to become a PPSI should be approved only upon a demonstration of sufficient existing capability and a credible, verifiable implementation plan in capital, liquidity,

compliance, and risk-management capabilities — not merely on the basis of planned or prospective structures. While conditional approvals may appropriately account for certain proposed operational or governance arrangements that can be verified post-approval (subject to firm timelines and enforceable commitments), the FDIC should permit staged or conditional approvals that impose clear, enforceable pre-issuance conditions before the applicant may issue Payment Stablecoins. This includes robust compliance programs and risk-management systems tailored to the unique demands of stablecoin operations, such as AML/CFT and sanctions controls appropriate for blockchain-enabled payment activity, cybersecurity protocols, and redemption capacity testing. Requiring operational readiness up front ensures that PPSIs can immediately meet their obligations under the Act, protects Payment Stablecoin holders from the risks of untested structures, and aligns with the FDIC’s safety-and-soundness mandate by avoiding the approval of entities that require significant post-licensing build-out to achieve compliance.

Finally, the FDIC’s approach to reserves, liquidity, and risk management for PPSIs should be harmonized with parallel standards developed by other federal regulators. Divergent or inconsistent requirements across departments and agencies could create regulatory arbitrage, where potential issuers gravitate toward the least restrictive regime rather than the most appropriate prudential framework. BA advocates against inconsistent approaches that would favor only large, sophisticated banking groups that can navigate fragmented standards. By coordinating on core elements, federal regulators can provide a coherent and consistent framework that would support a level playing field between bank-affiliated and non-bank issuers and ensure that the Act’s protections are realized consistently across the market.

e. Ownership or Control Structures (*Question 6*)

Bank consortia-based issuance structures — where multiple insured depository institutions jointly own or control a PPSI — may introduce heightened risks. For instance, minority owners might strategically defer crisis management or decision-making during stress events, expecting larger or more capitalized participants to bear disproportionate costs for stabilization or resolution. Similarly, governance deadlocks or disputes could precipitate forced liquidations, amplifying contagion risks across the banking system. These dynamics undermine the Act’s emphasis on clear accountability and standalone issuer capacity.

At a minimum, multi-owner arrangements layer on significant legal, financial, and operational hurdles absent in straightforward single-issuer setups. Reserve segregation becomes harder to enforce when assets are notionally shared or contributed proportionally, and it raises questions about pro-rata allocation in insolvency. Intercompany agreements could create implicit triggers or obligations that blur balance-sheet independence. Resolution planning grows exponentially more complex, as regulators must navigate competing stakeholder claims across multiple parent entities, each potentially subject to different supervisory regimes. These frictions could not only elevate baseline operational risks, but also erode market confidence in the PPSI’s ability to honor redemptions at par.

To address these issues without departing from the Act’s framework, the FDIC could require each participating bank to apply individually, with every owner demonstrating its standalone financial condition, management integrity, redemption capabilities, and risk-management resources. For any approved consortia models, the FDIC should further impose

governance and reporting mandates. Those mandates should focus on objective criteria, including decision rights, deadlock resolution, reserve ownership and segregation, parent support arrangements, service-provider dependencies, recovery and resolution planning, continuity of redemption obligations, and treatment of intercompany claims. The FDIC should avoid categorical restrictions on consortium or multi-owner structures where the applicant can demonstrate that these risks are appropriately managed.

f. Number of Applications (Question 10)

The FDIC should anticipate significantly more than 10 applications from institutions under its supervision, given the rapid pace of recent announcements from banks and their subsidiaries signaling intent to become PPSIs. Expecting and preparing for a robust applicant pipeline is critical to avoid inadvertently favoring only the most resourced applicants and to ensure timely application processing.

III. Conclusion

The Blockchain Association supports the FDIC's efforts to implement the GENIUS Act in a manner faithful to Congress's pro-innovation design. We welcome the opportunity to discuss this response with the FDIC further.

Sincerely,

/s/ Ashok Pinto

Ashok Pinto
Executive Vice President,
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cc: Jason Gottlieb, Morrison Cohen LLP
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