BLOCKCHAIN ASSOCIATION

November 4, 2025

VIA ELECTRONIC SUBMISSION

The Honorable Brian P. Morrissey, Jr.
General Counsel
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Re: Comment on Treasury Department Advance Notice of Proposed Rulemaking Regarding Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act Implementation

Dear Mr. Morrissey:

We write on behalf of the Blockchain Association (the "Association") in response to the Department of the Treasury's (the "Treasury's") Advance Notice of Proposed Rulemaking, dated September 19, 2025, soliciting public comment on questions relating to the implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act (the "Act").

Stablecoins improve payment systems, advance financial inclusion, and operate as a novel store of value and medium of exchange. Accordingly, the Association believes that the Treasury should carefully craft rulemaking under the Act with an eye towards promoting these goals.

To assist the Treasury in its rulemaking process, the Association respectfully submits this letter with comments about six different aspects of the Act with which regulation should be consistent.

The Association believes that the Treasury's forthcoming regulations should (1) explicitly recognize that stablecoins that do not fall within the definition of a Payment Stablecoin under the Act should be subject to clear, separate guidance outside the scope of these regulations; (2) not extend the Act's prohibition on yield beyond Congress's careful wording in Section 4(a)(11) of the Act; (3) cabin Digital Asset Service Providers to only those entities narrowly described in Section 2(7)(A) of the Act; (4) facilitate pathways to state regulatory regimes for smaller issuers; (5) exempt Payment Stablecoins from certain information reporting requirements; and (6) support new entrants and innovators beyond traditional financial institutions in developing new products or use cases through

regulation that allows the creation and support of safe harbors, regulatory sandboxes, or pilot programs.

I. Background

The Association is the leading nonprofit membership organization dedicated to promoting a pro-innovation policy environment for the digital asset economy.[1] The Association 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. The Association represents over 130 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, signed into law on July 18, 2025, establishes the first U.S. federal regulatory framework for "Payment Stablecoins." The Association, as well as other organizations across the digital assets and financial sectors, lauded the passage of the Act as an overdue step towards regulatory clarity and innovation. As the primary federal regulator under the Act, the Treasury has a critical role in determining feasible oversight, risk management, and compliance consistent with Congress's intention in drafting the Act.

II. Discussion

a. Treatment of Non-Permitted Payment Stablecoins (*Questions 2-3*)

The Act specifically regulates "Payment Stablecoins," and no other products. A Payment Stablecoin is defined as 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; or (ii) a security issued by an investment company registered under section 8(a) of the Investment Company Act of 1940." *See* Act § 2(22).

In other words, under the Act, Payment Stablecoins are only those digital assets that are or are designed to be used as a means of payment or settlement, and the issuer is obligated to convert, redeem, or repurchase the Payment Stablecoin for a fixed amount of fiat money. In practice, this definition encompasses certain already existing tokens

[1] *See* Blockchain Association, https://theblockchainassociation.org.

that are pegged to the U.S. Dollar, backed by reserve assets, and able to be redeemed for the equivalent amount of U.S. Dollars at all times.

The Act prohibits anyone other than a "Permitted Payment Stablecoin Issuer" from issuing Payment Stablecoins in the United States. *See* Act § 3(a). 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).

While many popular tokens fall within the Act's definition of a "Payment Stablecoin," several significant and popular tokens do not. For example, synthetic tokens that maintain a pegged value are designed to keep their price steady by using smart contracts and financial strategies, typically on decentralized finance ("DeFi") platforms. They are often backed by cryptocurrency collateral, or managed using specialized (and typically automated) trading strategies. Synthetic tokens, however, typically are not backed by reserve assets held in a bank that issuers are obligated to redeem the tokens for. Instead, these tokens use algorithms to automatically track and replicate the value of U.S. dollars or other currencies. As such, synthetic tokens may not fall within the Act's definition of a Payment Stablecoin because the issuer is not obligated to convert, redeem, or repurchase the synthetic tokens for a fixed amount of monetary value.

Similarly, there are algorithmic tokens that are designed to keep their value stable by automatically rebalancing, but without holding real assets as reserves that the issuer is obligated to convert or redeem the tokens for. In other words, instead of being backed by U.S. dollars held in reserves, an algorithm automatically adjusts the amount of tokens in circulation to keep the price fixed. However, these algorithmic tokens are not always fully asset-backed; issuers typically would not swap an algorithmic token for reserve assets; issuers are arguably not obligated to convert, redeem, or repurchase algorithmic tokens for a fixed amount of monetary value; and algorithmic tokens employ automated strategies such that they do not necessarily maintain or create a reasonable expectation that the *issuer* is actively maintaining a stable value relative to the value of a fixed amount of monetary value. As a result, these products also fall outside of the Act's framework.

Accordingly, issuers or other persons or entities that interact with these non-Payment Stablecoins are neither covered by the Act, nor categorically subject to an alternative regulatory regime. Clarity is needed on how stable-value tokens that do not fall within the definition of a Payment Stablecoin will be treated in the United States. Many such non-Payment Stablecoins are currently accessible in the United States, and both issuers and consumers should have confidence that these products will not be barred, or face disproportionately harsh regulation.

To provide that clarity, the Treasury regulations should explicitly recognize that digital assets that maintain a stable value, but do not meet the definition of a Payment Stablecoin (such as synthetic or algorithmic tokens, for example), are expressly outside the scope of the Act. This measure would clarify that such tokens (and their issuers) are not subject to similar requirements as those applicable to Permitted Payment Stablecoin Issuers under the Act. If these tokens do not meet the definition of Payment Stablecoin, they should instead be addressed via other regulatory frameworks – which dovetails with Congress's instruction that the Treasury and other relevant regulators should conduct a study of non-Payment Stablecoins. *See* Act § 14(a)(2).

A separate approach to non-Payment Stablecoins makes sense for policy reasons as well. The Act intentionally creates protections for consumers because they are reliant on a Permitted Payment Stablecoin Issuer. A Permitted Payment Stablecoin Issuer "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 is obligated to redeem, convert, or repurchase the Payment Stablecoins. *See* Act § 2(22). Other tokens such as synthetic or algorithmic tokens, however, do not have an issuer or entity responsible for redeeming assets, and purchasers of those products are not reliant on the issuer in the same way as with Payment Stablecoins. Tailored regulations for Payment Stablecoins may be appropriate for Payment Stablecoins that involve redemption, but these regulations would not serve the same purpose for products without redemption obligations.

Relatedly, in any clarification of the scope of a "Payment Stablecoin" under the Act, Treasury should consider innovative use cases and models that may be developed in the future. Defining the scope of a "Payment Stablecoin" imprecisely could limit advancements and novel applications by subjecting certain tokens to the Act's licensure framework when they are conceptually closer to synthetic or algorithmic tokens, and perhaps better regulated under a different framework.

Additionally, just as there are already non-Payment Stablecoins accessible in the United States, Treasury should consider that certain tokens already operating in the U.S. market may fall within the definition of a Payment Stablecoin. To allow both existing Payment Stablecoins and non-Payment Stablecoins to lawfully continue operating without interruption or without inadvertently violating the Act, Treasury should consider adopting a conditional safe harbor that accounts for pre-existing tokens that meet the definition of a Payment Stablecoin, or otherwise permits their continued operation. This conditional safe harbor would comport with the Act's direction that the Secretary of the Treasury is empowered to provide limited safe harbors from the Act's prohibition on persons other than Permitted Payment Stablecoin Issuers issuing a Payment Stablecoin in the United States. *See* Act § 3(c).

b. Prohibition on Yield (*Question 14*)

The Act prohibits issuers of a Payment Stablecoin from paying interest or yield to holders of that Payment Stablecoin in connection with certain activities. Under Section 4(a)(11) of the Act, "no Permitted Payment Stablecoin Issuer or Foreign Payment Stablecoin Issuer shall pay the holder of any Payment Stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such Payment Stablecoin." Any prohibition broader than the plain text of the statutory language would needlessly restrict innovative use cases and consumer opportunities related to Payment Stablecoins, and potentially even surpass the Treasury's statutory authority.[2] The Act can protect banks and credit markets without restricting consumer choice.

i. The language of Section 4(a)(11) should not be interpreted to extend to third parties.

Any Treasury regulations should clarify that the Act's restrictions on yield do not extend to third-party exchanges or platforms, including DeFi protocols. The Act's text (and legislative intent) is clear; the prohibitions on yield apply to a Permitted Payment Stablecoin Issuer or Foreign Payment Stablecoin Issuer – but not other entities. *See* Act § 4(a)(11). Third-party exchanges or platforms, or other entities that interact with Payment Stablecoins in any way other than issuing them, are outside the explicit scope of this provision. Including third parties that are not referenced in this provision would go beyond Congress's intent of prohibiting *issuers* from paying holders interest or yield solely for holding, using, or retaining Payment Stablecoins.

The text of the Act, interpreted in this way, is beneficial to consumers. Retail users purchasing, holding, or using Payment Stablecoins will benefit from having the option to choose between which platforms to purchase, stake, or redeem their Payment Stablecoins from, depending on that platform's unique benefits to the user. Accordingly, extending the yield prohibition to third parties, often unaffiliated, unrelated, and unknown to the issuer, would harm average consumers. A key example occurs in the context of DeFi protocols: decentralized (and often autonomous) protocols are typically unconnected to the issuers of tokens. A decentralized protocol with no one person or entity controlling it is clearly outside the scope of Section 4(a)(11), and should not be prohibited from paying automated rewards or yield to its users.

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[2] In *Loper Bright Enterprises v. Raimondo*, 603 U.S. 369 (2024), the Supreme Court abrogated the previously-governing rule of "*Chevron* deference" to administrative agencies in statutory interpretation. Accordingly, the Treasury regulations, while expressly contemplated to be promulgated under the Act, must be fully consistent with the plain text of the statute, or risk being subject to a valid challenge.

For additional context, rewards are often part of the value proposition that consumers have come to rely on when purchasing a stablecoin. Indeed, stablecoin holders have the opportunity to earn yields tied to market rates from exchanges or third-party platforms. These innovative yield incentives may prompt traditional banks to offer more competitive interest rates on deposits, which only works to consumers' benefit and increases competition. Furthermore, extending the yield prohibition to exchanges or third-party platforms could have unintended consequences, such as reducing U.S. competitiveness on the world stage. After all, other jurisdictions have already struck the balance between regulating stablecoins and permitting yield in a manner that is more favorable to consumers.

ii. The language of Section 4(a)(11) should not be interpreted to extend to other unenumerated activities.

The prohibition on yield specifically applies to certain enumerated activities. Section 4(a)(11) prohibits "pay[ing] the holder of any Payment Stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such Payment Stablecoin." The provision "solely in connection with the holding, use, or retention of such Payment Stablecoin" should be read literally, to prohibit payments of yield that are made to holders *solely* in connection with these enumerated activities.

Some commentators have argued that "holding, use, or retention" is meant to encompass *any* activity that can be conducted with a stablecoin, leading to a broad prohibition on yield payments under any circumstances. This argument is inconsistent with a reading of the plain text. Congress explicitly added the language "solely in connection with the holding, use, or retention of such Payment Stablecoin" as a condition and limitation on the previous part of the sentence ("no Permitted Payment Stablecoin Issuer or Foreign Payment Stablecoin Issuer shall pay the holder of any Payment Stablecoin any form of interest or yield …"). If Congress had intended to bar yield payments under any circumstances, Section 4(a)(11) could have ended there, and no issuer could pay any form of interest or yield to holders at all. But Congress decided instead to add a qualifier, meaning that such payments are barred *only* where in connection with these certain activities.

Thus, paying holders interest or yield is not prohibited in all circumstances, but rather, only in connection with mere holding, use, or retention of a Payment Stablecoin. Activities outside of "holding, use, or retention" would allow issuers to pay yield or interest. For example, in a delegation model, one use case may be that holders can delegate their stablecoins to other entities such as validators, contributing to an important role in securing blockchain networks. Delegating is not holding, using, or retaining the stablecoin, but rather allowing another entity to perform a function that is

critical to blockchain operation and security. Delegation is just one example, but to the extent that an issuer's payment of yield is in connection with other activities outside of mere holding, use, or retention, such payments should not be considered violative of Section 4(a)(11). Any rulemaking that prohibits yield in connection with any other activities, such as delegation, extends beyond what Congress has legislated. Such payments should also not disqualify a stablecoin from being considered a Payment Stablecoin or affect the status of its issuer.

Further, that exclusionary provision, "solely in connection with the holding, use, or retention of such Payment Stablecoin," notably contains the word "solely." The natural import of that word is that activities that constitute *both* holding or use or retention, *as well as* activity (such as delegation) that is outside "holding, use, or retention," are excluded from the bar on yield. Such "mixed stablecoin activities" should not fall within the bar on paying yield. For example, if a user is both "holding" and "delegating" a stablecoin, the regulations should make clear that such activity should not bar yield payments.

A more expansive interpretation of this provision would result in a more limited issuance, use, and adoption of Payment Stablecoins, and act as a significant hindrance to future innovative uses of stablecoins. The Treasury's regulations should create an environment that is welcoming of innovations, both those currently in the market, and those that we cannot foresee, in order to unleash the creative energies of American entrepreneurs.

To that end, the Treasury should also consider creating a safe harbor for inadvertent violations of Section 4(a)(11) of the Act. As many entities in the cryptocurrency and traditional finance space begin to support stablecoins in compliance with the Act, it is possible that accidental or *de minimis* yield payments are made that the Treasury ultimately determines violates the prohibition on yield. To account for inadvertent errors, the Association supports a safe harbor to allow entities to continue developing their consumer offerings as the Act intends without being subject to overly burdensome penalties.

c. Treatment of Digital Asset Service Providers

The Act defines a "Digital Asset Service Provider" as a "person that, for compensation or profit, engages in the business in the United States (including on behalf of customers or users in the United States) of

(A)

(i) exchanging digital assets for monetary value;

(ii) exchanging digital assets for other digital assets;

(iii) transferring digital assets to a third party;

(iv) acting as a digital asset custodian; or

(v) participating in financial services relating to digital asset issuance; and

(B) does not include

(i) a distributed ledger protocol;

(ii) developing, operating, or engaging in the business of developing distributed ledger protocols or self-custodial software interfaces;

(iii) an immutable and self-custodial software interface;

(iv) developing, operating, or engaging in the business of validating transactions or operating a distributed ledger; or

(v) participating in a liquidity pool or other similar mechanism for the provisioning of liquidity for peer-to-peer transactions."

See Act § 2(7).

The carefully crafted definition of Digital Asset Service Providers may apply to myriad entities in the digital assets space that engage in certain conduct such as exchanging and transferring assets, but not other entities that engage in delineated conduct such as validating transactions or providing liquidity. This definition is critical because Digital Asset Service Providers are prohibited from "offer[ing] or sell[ing] a Payment Stablecoin to a person in the United States, unless the Payment Stablecoin is issued by a Permitted Payment Stablecoin Issuer." *See* Act § 3(b).

The Association submits that the definition of Digital Asset Service Providers should be read narrowly to apply only to the categories of persons or entities engaging in the activities enumerated in Section 2(7)(A). Congress intentionally excepted certain categories of persons or entities in Section 2(7)(B), such as a blockchain protocol, an immutable and self-custodial software interface, or a liquidity provider. These enumerated exceptions should be respected in tailoring any regulations that may apply to Digital Asset Service Providers.

Further, there may be additional entities not necessarily enumerated in Section 2(7)(B) that also do not fall within the descriptions in Section 2(7)(A) – in other words, entities that fall into neither of those subsections. These entities should not be classified as Digital Asset Service Providers either, and should not be subject to the prohibitions on offering or selling Payment Stablecoins in the United States.

It is critical that the scope of a Digital Asset Service Provider is not expanded beyond Congress's intention to encompass other entities in the digital assets, finance, or

DeFi spaces. To avoid foreclosing innovation, any regulations should be carefully tailored to apply to only those Digital Asset Service Providers carefully described in Section 2(7)(A), and not inadvertently bar other companies or entities from participating in offering or selling Payment Stablecoins.

d. Facilitate Pathways to State Regulatory Regimes (*Questions 18-19, 45-46*)

The Act creates a state pathway for Permitted Payment Stablecoin Issuers with less than $10 billion in circulation, allowing them to choose to operate under state oversight (as opposed to federal oversight) if the state's regulatory framework is certified as "substantially similar" to the federal baseline. *See* Act § 4(c)(1). The Association supports promoting state regulatory regimes for smaller Permitted Payment Stablecoin Issuers. State regulatory regimes can ensure that the Act's guardrails and consumer protections are preserved, while also fostering administrative efficiency and innovation.

With clear rules of the road, the Act creates a payments innovation engine powered by competition among many new and existing stablecoin projects. In this landscape, state regulatory regimes can help alleviate potential backlogs and strain on federal administrative resources. It is possible that these administrative issues might arise if state regimes were not present and the federal government was responsible for handling all Permitted Payment Stablecoin Issuers, large and small. By empowering states, the federal government would foster innovation "laboratories," allowing for experimentation with both regulatory approaches and Payment Stablecoin innovations in a way that preserves the Act's guardrails and consumer protections.

e. Create Fair Tax Treatment (*Questions 37-38*)

Payment Stablecoins are designed to maintain a "stable value relative to the value of a fixed amount of monetary value." *See* Act § 22(A). In practice, this will typically mean the value of a Payment Stablecoin remains consistent 1:1 with the U.S. Dollar. Therefore, when used as a means of payment and medium of exchange, Payment Stablecoins will typically generate nominal (and often zero) taxable gains or losses. This makes Payment Stablecoin's current tax reporting treatment a poor fit.

Current reporting requirements create significant hurdles for stablecoin adoption and use as a medium of exchange in the course of daily life (*e.g.*, using stablecoins to buy a cup of coffee). For example, if Payment Stablecoins were used for routine purchases, they could generate hundreds of reportable transactions each week. Under the current tax reporting requirements, this would mean the reporting of nominal gains or losses on each transaction, creating an onerous and disproportionate compliance burden for taxpayers, with minimal benefit to the IRS. Therefore, Treasury should provide explicit

relief for these ill-fitting tax reporting requirements by exempting Payment Stablecoins from information reporting requirements.

In addition to urging the IRS to issue clear guidance on the tax treatment of stablecoins, the Association continues to advocate for comprehensive clarity across a full range of digital asset issues, including the following priorities:

- Exempt *de minimis* gains and losses from taxation;
- Clarify the character, source, and timing of income for mining and staking rewards. Mining and staking rewards should be characterized as property created by the taxpayer and should be taxed upon sale or disposition rather than at receipt;
- Clarify certain digital asset transactions are nonrecognition events, including "wrapping" and "unwrapping" a digital asset, minting and burning/redeeming liquid staking tokens or identifier tokens when providing liquidity on a DeFi protocol, migrating or converting a token in a token migration or protocol upgrade, and transferring a digital asset from one blockchain to another;
- Allow staking in U.S. digital asset investment structures (*e.g.*, ETPs);
- Extend the mark-to-market accounting method, currently used by commodities dealers and traders, to digital assets;
- Establish a new safe harbor for foreign persons trading in digital assets;
- Provide nonrecognition treatment for gains or losses upon digital asset transfers in connection with qualifying loan transactions;
- Allow charitable deductions for digital assets easily valued or regularly traded without requiring a qualified appraisal;
- Reconsider provisions of the Infrastructure Investment and Jobs Act (*e.g.*, 6050I) that create barriers to the development of the digital asset industry;
- Allow digital assets to be held as investment assets in retirement accounts;
- Ensure that any updates to wash sales and constructive sales rules for digital assets only pass as part of a comprehensive digital asset tax package; and
- Make research and development eligibility for blockchain development explicit.

f. Encourage New Entrants and Innovation (*Question 51*)

Generally, in crafting regulations in furtherance of the Act, Treasury should avoid creating barriers for new entrants or smaller entities. The design of the Act itself already favors incumbents; Permitted Payment Stablecoin Issuers can only be an approved

subsidiary of an insured depository institution, an uninsured national bank, a federal branch, a non-bank entity approved by the Comptroller, or an entity approved by state regulators. *See* Act § 2(23). To create a fair playing field for non-bank entities without familiarity with traditional banking regulations, compliance obligations should be scaled and proportional to each entity applying for licensure. For example, the Treasury should consider tailoring regulations to account for a diversity of issuance size or risk profile. Overly burdensome reporting, for example, could create onerous operational costs that would deter new or smaller market participants.

Additionally, new entrants or startups may benefit from testing innovative stablecoin products before a full launch. The Treasury should consider creating regulatory sandboxes or pilot programs that allow such tests without the Catch-22 of immediate full licensure or enforcement risk. Providing a safe and regulated space for experimentation would provide new entrants a clear path to scale, as long as guardrails are complied with.

Finally, the Association strongly believes that the process for obtaining licensure as a Permitted Payment Stablecoin Issuer should be streamlined, timely, and transparent. This approach would benefit all issuers in the space, as well as consumers who desire to engage with these products. Transparent and efficient procedures will also encourage new entrants to enter the market. In contrast, unnecessary delay or complexity will inevitably dissuade new entrants from building in the U.S. market, creating regulatory "moats," and could lead new participants to build or launch products in other jurisdictions.

III. Conclusion

The Blockchain Association believes the above principles should be considered in the Treasury's forthcoming regulations, and appreciates the opportunity to submit this comment. The Association welcomes the opportunity to discuss this response further with any interested parties.

Sincerely,

/s/ *Ashok Pinto*

Ashok Pinto
Executive Vice President of Legal and Government Relations

cc: Jason Gottlieb, Morrison Cohen LLP
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