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Memorandum

OCC Unveils First Comprehensive Federal Rulemaking for Stablecoin Issuers

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On February 25, 2026, the Office of the Comptroller of the Currency (the "OCC") issued a proposal to implement significant portions of the Guiding and Establishing National Innovation for U.S. Stablecoins Act, known as the GENIUS Act (the "Act"), which was signed into law in July 2025. The Act established a statutory framework for the issuance of stablecoins, laying out general regulatory and licensing requirements for permitted payment stablecoin issuers while leaving specific requirements—including with respect to capital, liquidity, operational risk management—for the relevant federal agencies to coordinate and implement through rulemaking.[1] The OCC's proposal represents a major milestone in clarifying and expanding on the Act's structural framework for entities seeking to engage in stablecoin issuance under federal supervision.

The OCC's proposed rulemaking (the "Proposed Rule") sets forth specific requirements that would apply to payment stablecoin issuers under the OCC's jurisdiction, including subsidiaries of national banks or federal savings associations, federal qualified payment stablecoin issuers, and state qualified payment stablecoin issuers that become subject to OCC authority. The Proposed Rule includes a number of open questions and seeks public comment on the overall proposal for 60 days from the proposal's publication in the Federal Register. In an acknowledgment of the challenges with establishing a new regulatory regime involving novel technology and practices, the OCC specifically states that any implementing regulations for the Act will need to be updated over time as the business evolves and develops.

This memorandum highlights key ways in which the Proposed Rule fills in gaps or ambiguities created by the Act, as well as important questions left unanswered by the Proposed Rule, for which public input will be critical. It does not describe all of the provisions, conditions, or exceptions that may be applicable to a particular situation.

Scope and Applicability

The Act prohibits any party who is not a "permitted payment stablecoin issuer" ("PPSI") from issuing "payment stablecoins" in the United States, and generally prohibits a "digital asset service provider" from offering or selling a payment stablecoin to a person in the United States unless the stablecoin is issued by a PPSI. The Act enumerates the types of entities that may become a PPSI and assigns jurisdiction for each type of entity to a

[1] For a summary of the key components of the Act, see our previous client memorandum.

primary regulator. While the Federal Reserve and FDIC maintain roles for PPSIs that are subsidiaries of state-chartered banks, the Act generally places the OCC in a featured role.

With the OCC's jurisdiction over PPSIs that are subsidiaries of FDIC-insured national banks and federal thrifts, uninsured national trust banks, federal branches of non-U.S. banks, registered foreign payment stablecoin issuers and the newly authorized nonbank federal qualified payment stablecoin issuers, the Proposed Rule would apply to the most significant categories of federal issuers.

Business Activities and Structure of Stablecoin Issuers

PAYMENT OF INTEREST OR YIELD

The questions of whether to allow stablecoin issuers to pay interest or yield on stablecoins (similar to bank interest on deposits), and whether to allow stablecoin rewards or other payments by non-issuer third parties, have been areas of keen interest and policy disagreement among different segments of the financial services industry.

The Act prohibits a PPSI from paying interest or yield (whether in cash, tokens, or other consideration) to holders "solely in connection with the holding, use, or retention of such payment stablecoin," but does not expressly apply this prohibition to payments by affiliates or other intermediaries.

In implementing this statutory prohibition, the Proposed Rule includes an anti-evasion presumption that certain arrangements with affiliates or "related third parties" would constitute a prohibited payment of yield or interest, such as through certain white-labeling relationships.[2] Specifically, the OCC will presume that a stablecoin issuer is paying prohibited interest if the issuer has an arrangement to pay interest or yield to the affiliate or "related third party" *and* the affiliate or "related third party" (or their own affiliate) in turn has an arrangement to pay interest or yield to a holder of the issuer's payment stablecoin solely in connection with the holding, use, or retention of the stablecoin.

The Proposed Rule states that it is not intended to prohibit merchants from independently offering a discount for a holder that uses a specific stablecoin or for issuers to share profits with non-affiliated partners in a white-label agreement. The anti-evasion presumption may be rebutted, and the OCC may also find other arrangements to be evasive of the statutory prohibition on a case-by-case basis.

PERMITTED ACTIVITIES

The Act limits the types of activities that may be conducted by a PPSI to (i) issuing or redeeming payment stablecoins; (ii) managing related reserves; (iii) providing custodial or safekeeping services for payment

[2] Related third parties would be defined to include any person paying interest or yield to payment stablecoin holders as a service (*i.e.*, on behalf of the PPSI) and any person that the PPSI issues payment stablecoins on behalf or under the branding of (*i.e.*, persons that have entered white-label relationship with the PPSI).

stablecoins, required reserves, or private keys of payment stablecoins; and (iv) other activities that directly support these enumerated activities.

The Proposed Rule would generally mirror the Act's permitted activities for federally regulated PPSIs. In its preamble discussion, the OCC specified certain activities that it would consider authorized as "directly supporting" the Act's enumerated activities, such as holding non-payment stablecoin crypto-assets as principal for purposes of testing a distributed ledger or to pay "gas fees" (network transaction fees) required by the blockchain.[3]

The Proposed Rule also explicitly clarifies that stablecoin issuers may assess fees associated with purchasing or redeeming stablecoins, which the OCC views as inherent in the Act's authorized activities.

MARKETING

The Proposed Rule adopts the Act's prohibition against a PPSI issuing payment stablecoins with a deceptive name that could create the appearance that the stablecoin is backed by the U.S. government or is FDIC insured, such as "United States," "United States Government," or "USG." However, the Proposed Rule clarifies that abbreviations relating to the pegged currency—such as "USD"—are permitted, and that issuers may market themselves as PPSIs under the Act.

STABLECOIN ISSUER AFFILIATES AND CONTROL

Notably for purposes of the yield-payment restrictions, the Proposed Rule would define the scope of a PPSI's "affiliates" by reference to affiliation and "control" standards under the Bank Holding Company Act. The OCC stated that it generally expects to interpret "affiliation" questions consistent with the Federal Reserve's "control rules" (which provide a tiered series of "controlling influence" presumptions keyed off of varying levels of voting ownership and other specified relationships).[4] Under the Federal Reserve's control rules, a company may be presumed to be affiliated with another company based on little or (in some cases) no voting equity ownership. Accordingly, the Proposed Rule's anti-evasion presumption regarding yield payments may capture arrangements between a PPSI and a third party even where the third party would not be considered an "affiliate" of the PPSI in an ordinary-meaning sense.

In addition, the Proposed Rule would require an issuer to ensure that transactions with affiliates and insiders are on market terms, "not excessive and do not pose a significant risk of material financial loss" and are "appropriately documented and reviewed by the board of directors" of the issuer. The Proposed Rule does not

[3] While the Act authorizes PPSIs to act "as principal or agent" with respect to payment stablecoins, the OCC clarified that "acting as principal or agent" with respect to stablecoins is permitted only within the specific authorities of the Act, rather than being a broad grant of authority to engage in any activity involving stablecoins.

[4] However, the Proposed Rule text itself does not refer to the BHC Act or the Federal Reserve rules. Also, the OCC's proposed definition of "affiliate" also includes natural persons, not just companies.

include any specific prohibitions or quantitative limitations on transactions with affiliates or insiders that are otherwise applicable to national banks under Regulation W or Regulation O.

The Proposed Rule would require that the OCC receive prior notice of any change in control of an OCC-regulated stablecoin issuer using definitions and procedures currently applicable to national banks under the OCC's "Change in Bank Control Act" regulations. Under these standards, prior notice to the OCC may be required in some circumstances for the acquisition of a 10% or greater voting interest in a stablecoin issuer.

Prudential Requirements for Stablecoin Issuers

RESERVE ASSET QUANTITATIVE REQUIREMENTS

A defining feature of stablecoins, and what distinguishes them from cryptocurrency more generally, is that stablecoins are designed to be backed by identifiable reserves of assets.

The Act requires a PPSI to maintain identifiable reserves against the outstanding payment stablecoins on an at least one-to-one basis, but does not prescribe a specific valuation methodology for either the reserve assets or the issued stablecoins. Under the Proposed Rule's implementation of the reserve ratio standard, the fair *market value* of a PPSI's reserve assets must equal or exceed the issuance *par value* of the outstanding payment stablecoins at all times. This approach is intended to ensure that the issuer can credibly meet redemption requests, including in adverse circumstances, and that the issuer cannot remove reserve assets if its stablecoin "de-pegs."

While the Act is silent on conditions in which stablecoin issuers may withdraw excess reserves (above the 1:1 ratio), the proposal would permit stablecoin issuers to withdraw excess reserves only on a monthly basis, after the statutorily required monthly examination and certification by a registered public accounting firm.

The Proposed Rule does not include any capital-based overcollateralization or buffer requirements, but specifically requests comment on whether the final rule should include a reserve asset buffer requirement in excess of the outstanding issuance value, or whether the OCC should provide additional guidance on appropriate buffer levels for purposes of prudent risk management.

ELIGIBLE RESERVE ASSETS

The Proposed Rule generally adopts the Act's list of eligible reserve asset types, including low-risk, highly liquid instruments such as U.S. coins and currency, Federal Reserve Bank balances, demand deposits at FDIC-insured depository institutions, short-term Treasuries with maturities of 93 days or less, qualifying repo and reverse repo agreements, government money market funds invested solely in other eligible assets, as well as tokenized versions of these assets.

In addition to adopting the statutory list, the Proposed Rule clarifies that neither stablecoins nor other crypto assets qualify as permissible reserve assets. The Proposed Rule also adds certain technical clarifications to the statutory list of eligible reserve assets, including that intraday repos and reverse repos would be eligible reserve

assets, and that money market funds invested in Treasuries with a remaining maturity longer than 93 days would be ineligible.

RESERVE ASSET DIVERSIFICATION REQUIREMENTS

The Act broadly mandates that federal regulators issue regulations implementing diversification requirements for stablecoin reserve assets. The Proposed Rule outlines two potential options to implement this reserve asset diversification requirement, only one of which the OCC will adopt in the final rule:

- Option A – Principles-Based with Safe Harbor: Would require stablecoin issuers to maintain reserve assets that are "sufficiently diverse to manage potential credit, liquidity, interest rate, and pricing risk." Issuers could satisfy this principles-based requirement through an optional safe harbor by satisfying specific quantitative metrics (detailed below) on each business day.

- Option B – Mandatory Quantitative Limits: Would make the quantitative metrics found in Option A's safe harbor mandatory for all issuers on each business day.

The quantitative diversification metrics applicable under both options include:

- Daily Liquidity: At least 10% of required reserve assets must be held as demand deposits or money at a Federal Reserve Bank;

- Weekly Liquidity: At least 30% of required reserve assets must be held in daily liquidity assets or amounts receivable within five business days from pending sales of reserve assets or maturing reserve assets;

- Total Reserves Concentration Cap: No more than 40% of reserve assets may be held at any one eligible financial institution (aggregating deposits, custody, and repurchase agreements);

- Daily Liquidity Concentration Cap: No more than 50% of the required 10% daily liquidity may be held at any one eligible financial institution;[5] and

- Weighted Average Maturity: The issuer's total portfolio of reserve assets must have a weighted average maturity of no more than 20 days.

In addition, while the Act lists insured deposits as a *permitted* asset, the Proposed Rule would impose a mandatory minimum amount of insured deposit reserves—at least 0.5% of reserve assets, up to a maximum of $500 million—for stablecoin issuers with at least $25 billion in stablecoin issuance value.

[5] The proposed diversification limits do not distinguish Federal Reserve Bank balances from private bank deposits, though the OCC is specifically seeking comment on whether these ultra-low-risk balances should be exempt from the concentration caps.

PPSIs would be expected to "look through" any custodial or sub-custodial relationships to ensure that reserve assets are custodied at the sufficiently diverse number of eligible financial institutions needed to comply with the proposed rule's requirements.

The OCC notes that Option A would provide flexibility for issuers—particularly smaller, less complex issuers—to satisfy diversification standards without meeting all of the safe harbor requirements. The Proposed Rule notes that placement of reserve assets at a single financial institution would not likely be acceptable even for stablecoin issuers with simple business models or low risk profiles.

RESERVE OPERATIONAL REQUIREMENTS

The Proposed Rule would require that stablecoin issuers demonstrate their operational ability to monetize reserve assets. The Proposed Rule indicates that, redundant monetization methods may be appropriate to mitigate the risk of "fire sales," and that issuers may need to periodically conduct actual monetization transactions to demonstrate adequacy of their programs.

CAPITAL AND LIQUIDITY REQUIREMENTS

In implementing the Act's mandate for minimum capital and liquidity requirements for PPSIs, the Proposed Rule borrows from the OCC's existing capital and liquidity adequacy rules for national banks (particularly national trust banks), with certain key differences:

- Minimum Capital Amounts: Unlike national bank standardized capital rules, the Proposed Rule does not establish generally applicable minimum capital ratios for PPSIs. Instead, the OCC would set capital requirements based on individual evaluations of each prospective PPSI, similar to the process the OCC applies when determining minimum capital requirements for national trust banks. The initial capital requirement would be set by the OCC for a "de novo" period (typically 3 years), with a regulatory floor of $5 million.[6] Following the de novo period, ongoing capital requirements would be established, with OCC approval, using issuer calculations based on its risk profile and operating history.

- Capital Elements: Eligible regulatory capital for permitted payment stablecoin issuers would consist only of common equity tier 1 and additional tier 1 capital. Unlike bank capital standards, the Proposed Rule would not permit Tier 2 capital elements (such as subordinated debt), out of concern that stablecoin issuers may otherwise be incentivized to take on additional leverage through debt-based capital with fixed repayment obligations.

[6] Recent OCC approvals for de novo national trust banks seeking to provide stablecoin programs have generally required minimum de novo capital amounts ranging from $6.05 million to $25 million.

- Regulatory Deductions and Adjustments: Unlike national bank capital rules, the Proposed Rule would not require specific regulatory capital deductions (such as for goodwill, mortgage servicing assets, and other intangibles).

- No AOCI Opt-Out: PPSIs would be required to include Accumulated Other Comprehensive Income as a component of CET1 capital. This inclusion would make PPSIs subject to potential regulatory capital volatility associated with changes in value of available-for-sale fixed income securities (*e.g.*, due to changes in interest rates), though the OCC expects that any changes in value to the short-dated securities permitted to be held by PPSIs would likely generate immaterial amounts of AOCI.

- Operational Backstop**:** The proposal introduces an operational liquidity backstop requirement, requiring PPSIs to hold highly liquid assets (cash, Federal Reserve Bank balances, FDIC-insured deposits, or short-term Treasuries) equal to the issuer's actual total operating expenses over the last 12 months, calculated quarterly. This backstop approach aligns with the OCC's approach to chartering national trust banks, which typically requires a pool of liquid assets sufficient to cover six to 12 months of expenses.

The OCC signaled that several aspects of its proposed capital approach for PPSIs may be subject to revision in the final rules, noting specifically that it is considering changes to the PPSI capital framework such as:

- a limited capital deduction framework;

- a simplified capital instrument framework, permitting any balance sheet that qualifies as equity under GAAP to qualify as a regulatory capital element;

- alternative variable capital approaches (*e.g.*, based on a percentage of outstanding stablecoin issuance value; price and interest rate risk of reserve assets; credit risk of certain reserve assets such as uninsured bank deposits, reverse repos and money market funds; or fair value of assets held in custody).

Examination and Risk Management

Issuers would be subject to regular full-scope supervisory examinations, typically at least once every 12 months, though in some cases every 18 to 36 months. These examination schedules are generally consistent with those applied to national banks.

The Proposed Rule takes a "principles-based" approach with respect to operational, compliance and information technology risk management expectations. The Proposed Rule includes flexible risk management standards that are largely adapted from the OCC's existing safety-and-soundness regulations and risk management guidance for crypto-asset safekeeping. The OCC noted that it is considering "all possible combinations" of these proposed risk management standards to determine which set is most appropriate for the final rule.

The OCC notes that the Proposed Rule would "not prescribe a one-size-fits-all approach to risk management" to permit scaling of programs depending on size and risk profile. The Proposed Rule also notes that there are no specific restrictions on growth outside of the issuers ability to comply with the rule and adapt its risk management systems appropriately.

Other Notable Provisions

COVERED CUSTODIANS

The Proposed Rule prescribes standards consistent with the Act for covered custodians providing custodial or safekeeping services for payment stablecoin reserves, including that the custodian must segregate the assets from, and not commingle them with, its own assets or the assets of other customers.

LARGE STATE ISSUERS

The Act requires that if a state-regulated nonbank PPSI exceeds $10 billion of payment stablecoins in circulation, it must transition to OCC oversight within 360 days, receive a waiver from the OCC, or otherwise cease issuing new payment stablecoins until the circulation amount is under the $10 billion threshold.

The Proposed Rule adds detailed reporting requirements and timeframes to implement this state-to-federal transition requirement, including structured intermediate deadlines such as a notice to the OCC within 5 days, and completion of a capital analysis within 270 days, of crossing the $10 billion threshold.

Under the Proposed Rule, the requirement for a PPSI to "cease issuing new payment stablecoins" if it does not transition to federal oversight within 360 days of reaching the $10 billion threshold would apply to stablecoin issuances on a "net basis." This clarification would allow issuers to freeze, burn, mint, or issue new stablecoins as needed to transfer stablecoins from one blockchain to another, so long as the total outstanding value does not increase.

STABLECOIN ISSUER APPLICATIONS

The Proposed Rule adds significant technical detail to the high-level statutory mandates regarding the OCC's review of applications to become a PPSI, including regarding filing forms and information requirements, leadership suitability examinations and background checks, and agency decision and appeals processes.

While the Act requires the OCC to act on a PPSI application within 120 days of receiving a "substantially complete" application, the Proposed Rule clarifies that the clock would not begin to run until the OCC itself notifies the applicant that the application is substantially complete.

Key Areas of Focus for Public Comment Period

The OCC posed over 200 questions for public input on the Proposed Rule and, in some questions, indicated possible alternative approaches to aspects of the stablecoin regulations that it might implement in the final rules.

Notable areas in which the OCC has signaled a willingness to consider possibly significant deviations from the Proposed Rule framework include:

- Single-Brand Limitation: The OCC "has considered" and is requesting comment on whether to prohibit a PPSI from issuing more than one "brand" of payment stablecoin (*i.e.*, more than one set of payment stablecoins marketed under the same name). If implemented, this would restrict "white-label" arrangements where a single issuer provides the infrastructure for multiple co-branded partners (although the OCC has also considered streamlining the process for approving PPSI applications if an affiliate of the applicant has already been approved, in order to permit the sharing of back-office functions and services between legally separate issuers).

- Size-Based Tailoring: The OCC indicates that it has considered tailoring various aspects of the stablecoin regulations for small issuers and larger issuers, such as by establishing higher thresholds for the daily and weekly liquidity reserve asset diversification buckets, or a shorter weighted average maturity requirement, for larger institutions; applying certain risk management and governance standards only to larger issuers, or adopting an operational risk capital charge that scales with the size of the issuer.

- Mandatory Reserve Buffers or Reserve Asset Haircuts: The OCC asks if it should require an express reserve asset buffer (*e.g.*, 1% of total reserve assets) or impose haircuts on certain reserve assets to ensure the fair value of reserves stays above the 1:1 ratio during sudden increases in interest rates.

- Capital Charges: The OCC is considering variable capital charges based on specific risks, such as a 2% charge for uninsured deposits or charges scaled to the size of the issuer. These would have the potential to significantly increase the amount of equity capital owners must provide.

- Downstream "Customers": The OCC asks if the term "customer" should expressly include all downstream holders (rather than just those who interact directly with the stablecoin issuer itself). The OCC also seeks input on whether to require PPSIs to redeem stablecoins presented by any holder with an account at a regulated financial institution (beyond the proposed requirement to honor redemption requests from holders that have been onboarded as a customer by the PPSI itself). Either expansion to expressly require interactions with or monitoring of downstream or retail stablecoin holders could significantly impact issuers' compliance burden.

- Mandatory Deposit Holdings: The OCC asks several questions regarding whether the rules should incorporate measures to encourage or require reserve assets to be maintained within the traditional banking system, including by adjusting the proposed $25 billion threshold or 0.5% ratio for the mandatory insured deposit reserve requirement, requiring that a portion of reserve assets be held at community banks, evaluating the use of deposit placement services to spread deposits among banks and facilitate reserve asset diversification, and/or requiring a minimum portion of reserve assets be held as

bank deposits. Underlying these questions is a core policy concern of whether the OCC's proposal—and the continued adoption of stablecoins—would cause deposit flight from the U.S. banking system and undermine the lending capacity of U.S. banks.

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