

Stablecoins under the GENIUS Act: background and open questions

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Presentation to Chicago Bar Association Financial Institutions Committee

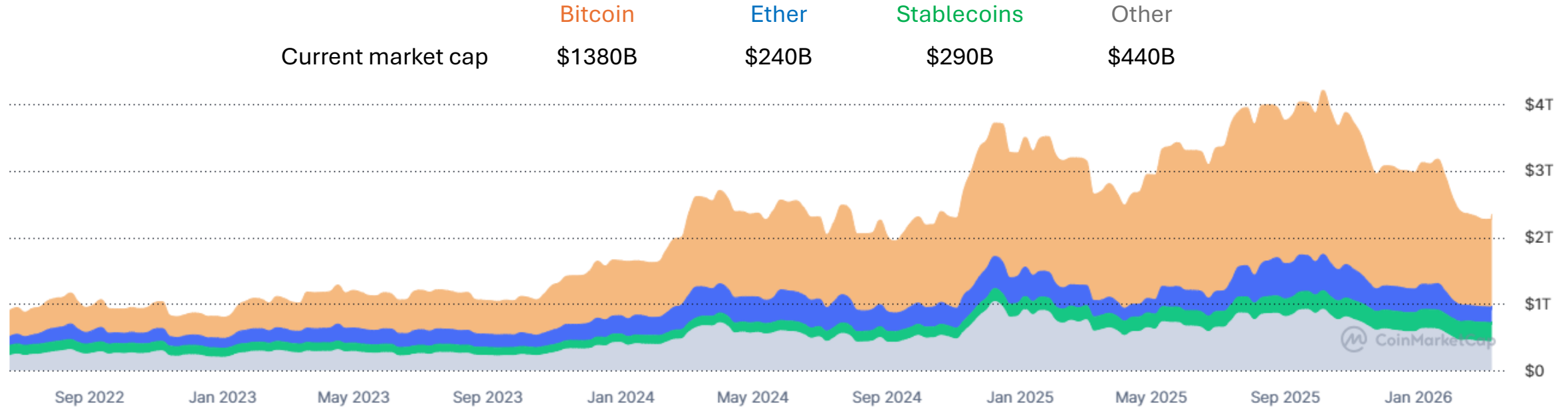
March 11, 2026

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Most crypto-asset valuations have been highly volatile

The vast majority of crypto-asset growth has been in unbacked crypto-assets like Bitcoin, though prices have fluctuated.

So-called “stablecoins” have also grown, mainly as a way to trade these crypto-assets.



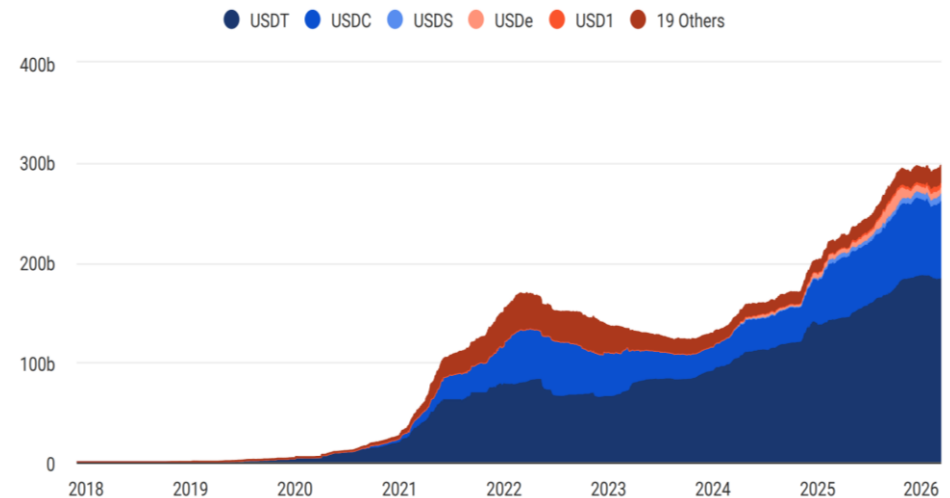
Source: [CoinMarketCap](https://www.coinmarketcap.com)

Introduction

Goals for today

1. Review characteristics of stablecoins to date
2. Summarize key features of the GENIUS Act and preview upcoming rulemakings
3. Discuss some open questions

U.S. dollar (USD) stablecoins in circulation, 2018 – present



Source: [The Block](#)

Stablecoin market scale & current use

Market size still relatively small but growing

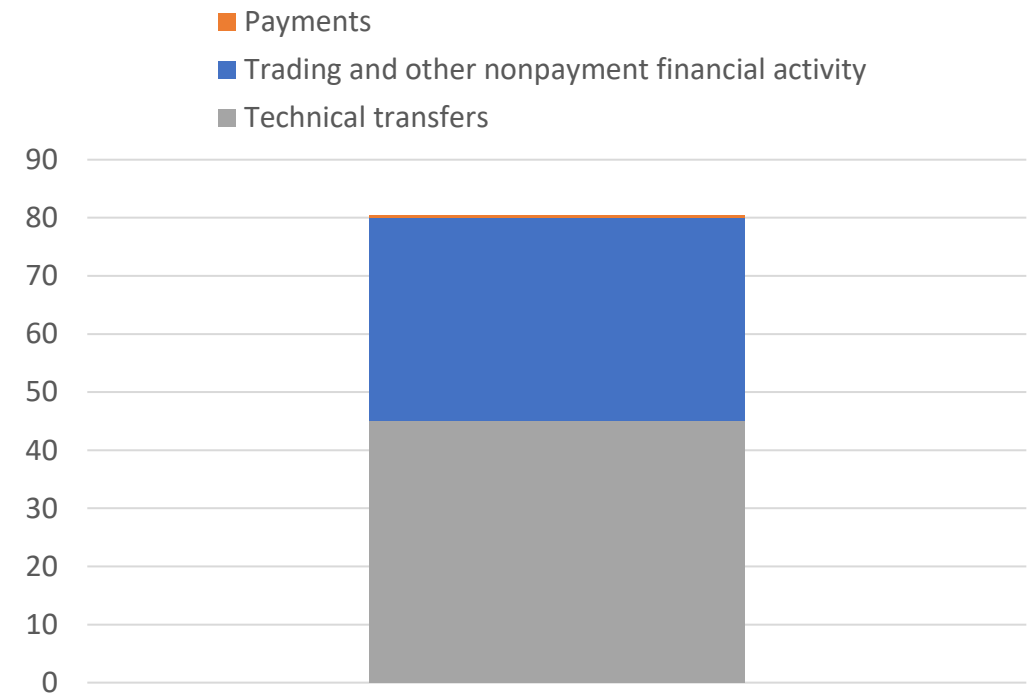
Size and recent growth of selected runnable money-like liabilities

	Amount Outstanding	Growth
	2025:Q2	2024:Q2–2025:Q2
	(billions of dollars)	(percent)
Uninsured bank deposits	7,314	9
Government money market funds	5,723	16
Prime money market funds	1,163	11
Repurchase agreements	5,813	13
Commercial paper	1,390	14
USD Stablecoins	264	60

Source: [Federal Reserve Board \(2025\)](#) and [DeFiLlama](#)

Mainly used to facilitate crypto trading but proponents see greater scale through payments

Estimated annual stablecoin transaction volume (trillions of dollars)

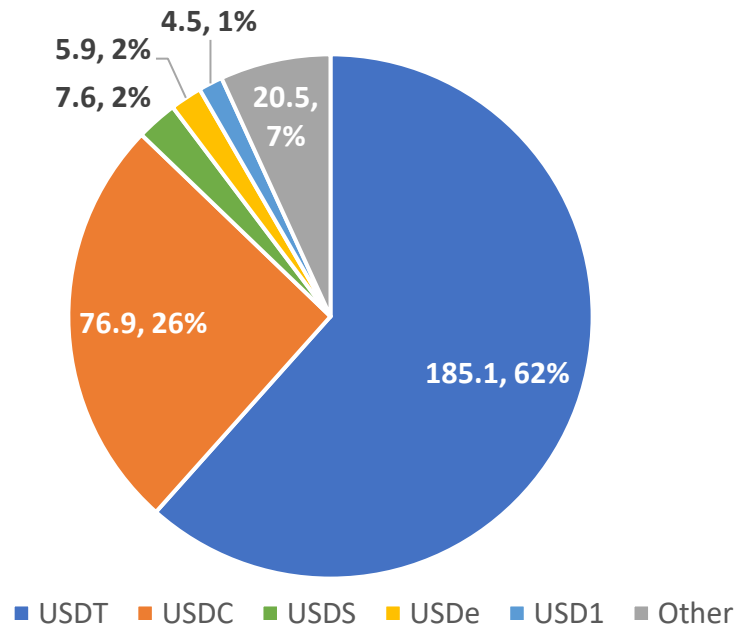


Source: [McKinsey & Company \(2026\)](#)

Stablecoin market concentration & reserve composition

Market highly concentrated in two issuers, Tether (USDT) and Circle (USDC)

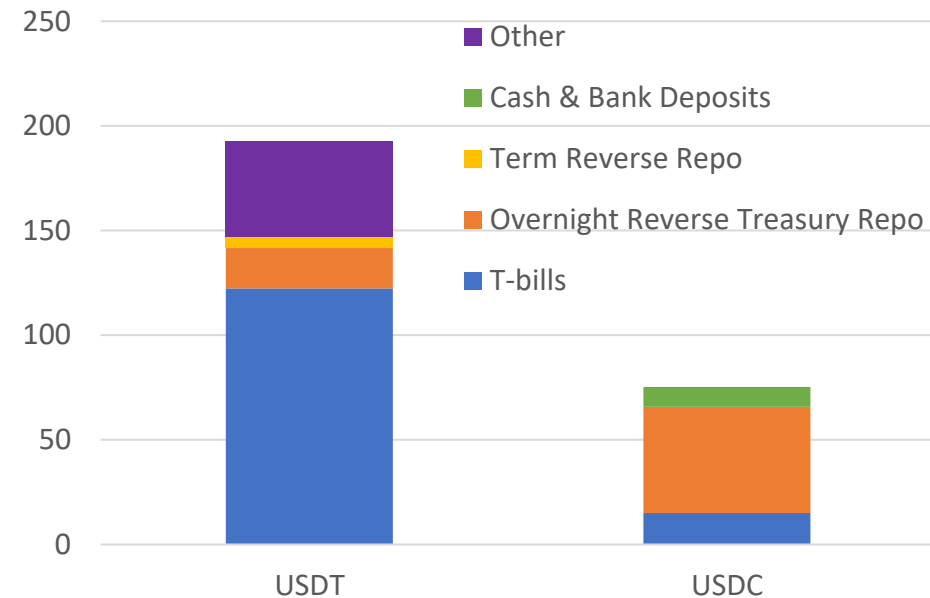
Stablecoin market capitalizations (billions of dollars)



Source: rwa.xyz

Most, but not all, stablecoin reserves held in short-term securities

Stablecoin issuer reserve assets as of 12/31/25 (billions of dollars)

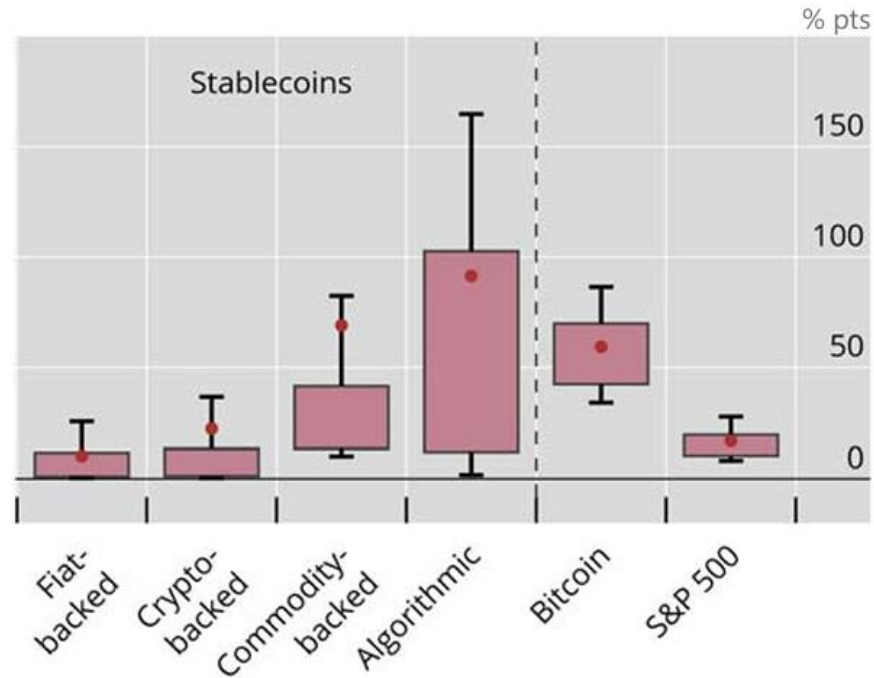


Notes: "Other" includes corporate bonds, precious metals, Bitcoin, and other unspecified investments and loans.

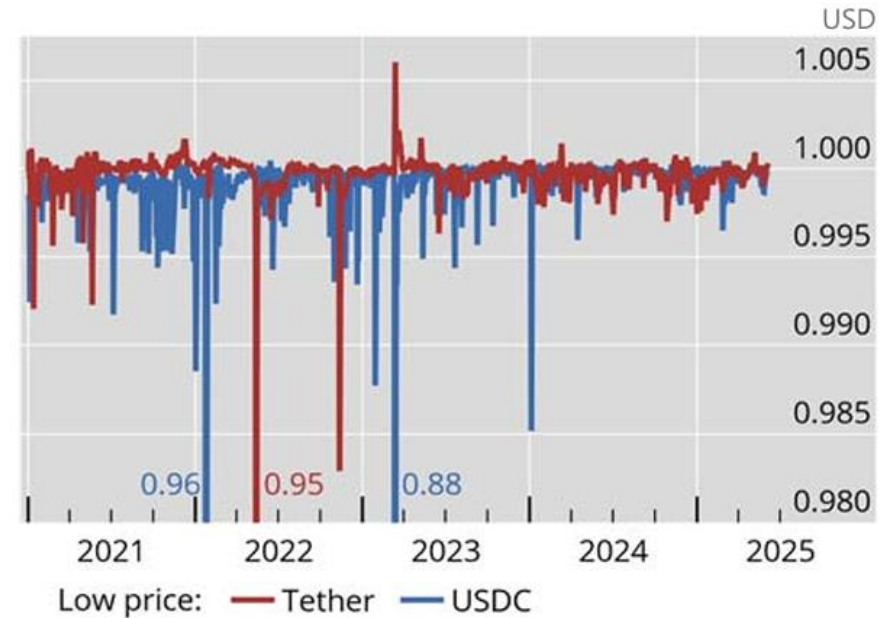
Source: [Tether \(2025\)](#) and [Circle \(2025\)](#)

Stablecoins have been prone to “depeggings” and runs

A. Fiat-backing reduces, but does not eliminate, price volatility in secondary markets



B. Frequent deviations from par even for the least volatile stablecoins



Volatility, 1 Jan 2019–30 May 2025:

- Mean
- 10th–90th percentiles
- Interquartile range

Source: [Bank for International Settlements \(2025\)](#)

USDC example: “breaks the buck” on March 11, 2023

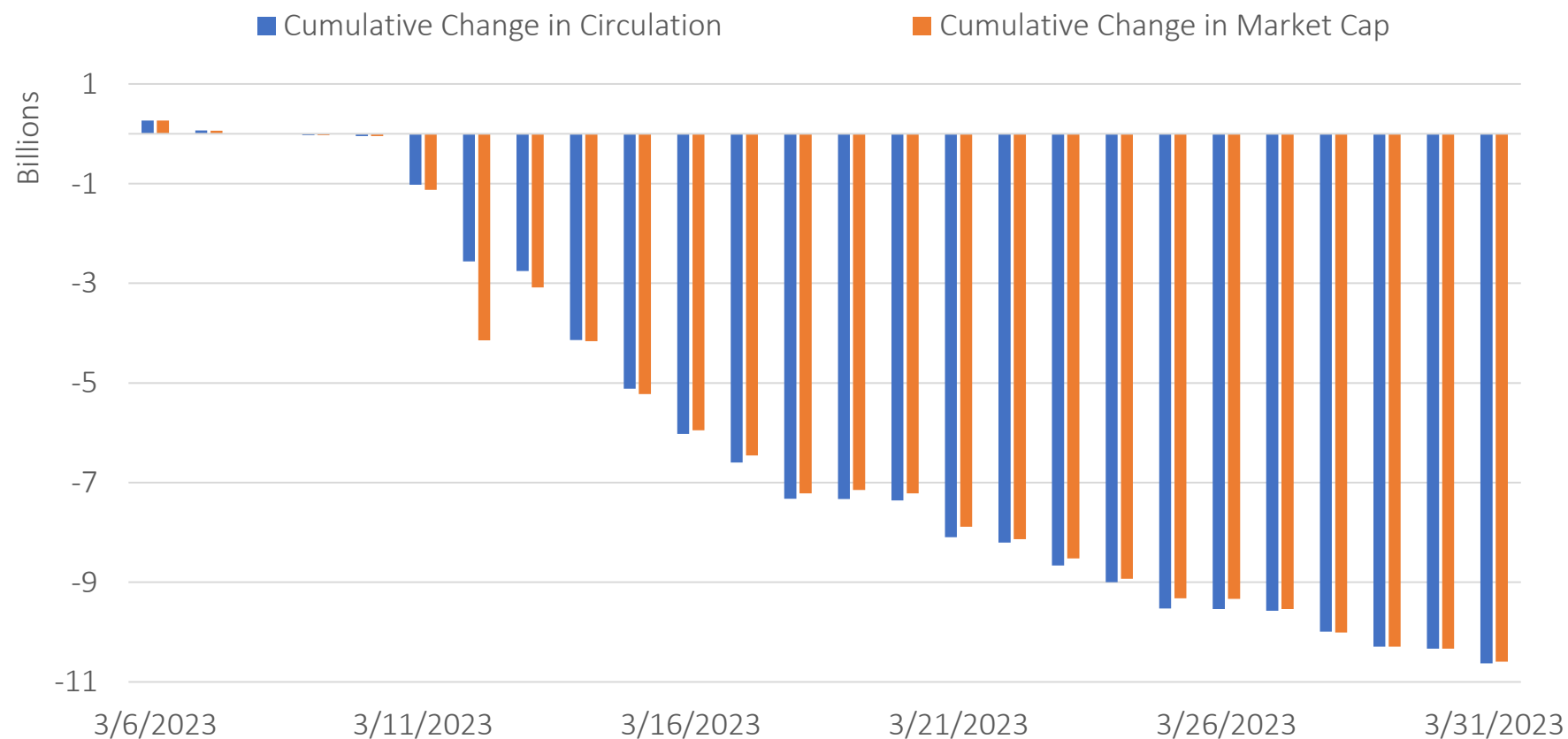
Circle’s USDC lost its peg to the U.S. dollar after company revealed nearly 8% of \$40 billion in reserves deposited at Silicon Valley Bank (SVB).



Source: [CoinGecko](https://www.coinbase.com/price/usdc)

USDC example: redemptions through March 31, 2023

Customer redemptions continued even after Treasury, Federal Reserve, and FDIC announced on March 12 that all depositors of SVB would be protected.



Source: Own calculations on circulation and market cap data from [DeFiLlama](#)

GENIUS Act creates new regulatory framework

- Enacted July 18, 2025 ([Pub. L. No. 119-27](#), codified at [12 USC §§ 5901-5916](#))
- Establishes regulatory framework for “payment stablecoins”
 - Does not cover unbacked crypto-assets, other stablecoins, or tokenized assets
- Includes the following:
 - Defines the scope of “payment stablecoin”
 - Who can issue payment stablecoins
 - Who regulates the issuers
 - Authority for regulators to establish capital and other prudential standards
 - Eligible reserve assets backing payment stablecoins
 - Reporting and compliance requirements for issuers
- Will be effective in January 2027 or 120 days after federal banking agencies issue regulations, whichever comes first

What the GENIUS Act regulates

Covered by GENIUS Act

- “Payment stablecoins”
 - Use public distributed ledger
 - Means of payment or settlement
 - Backed by reserve assets and obligation to redeem at par
 - *Cannot* pay interest
(but 3rd parties may continue to find ways to offer “rewards”)

Not covered

- Unbacked crypto-assets
(e.g., Bitcoin)
- Other stablecoins
(e.g., algorithmic)
- Tokenized assets
(e.g., deposits and money market funds, which can pay interest)

Who can issue payment stablecoins and who regulates

Type of Permitted Issuer	Primary Regulator
Subsidiaries of insured depository institutions (IDIs)	IDI's federal banking agency
Nonbanks, uninsured national banks, and federal branches of foreign banks	Office of the Comptroller of the Currency (OCC)
State-licensed nonbanks and uninsured banks and trusts with < \$10B stablecoins outstanding	State regulator [if Stablecoin Certification Review Committee (Treasury, FRB, and FDIC) determines state regulatory regime is "substantially similar"]
Foreign entities	OCC [if Treasury Secretary determines foreign regulatory regime to be "comparable" upon recommendation of FRB and FDIC]

Which non-financials can issue payment stablecoins

Certain non-financial companies and their subsidiaries/affiliates may become permitted stablecoin issuers, depending on their status and subject to potential conditions:

U.S. publicly-listed and non-U.S. companies	Either “predominantly engaged” in one or more financial activities (as defined by Bank Holding Company Act) OR Stablecoin Certification Review Committee (Treasury, FRB, FDIC) determines by unanimous vote not a material risk to financial stability and company will comply with data use limitations
U.S. privately-held companies	Not subject to the conditions above

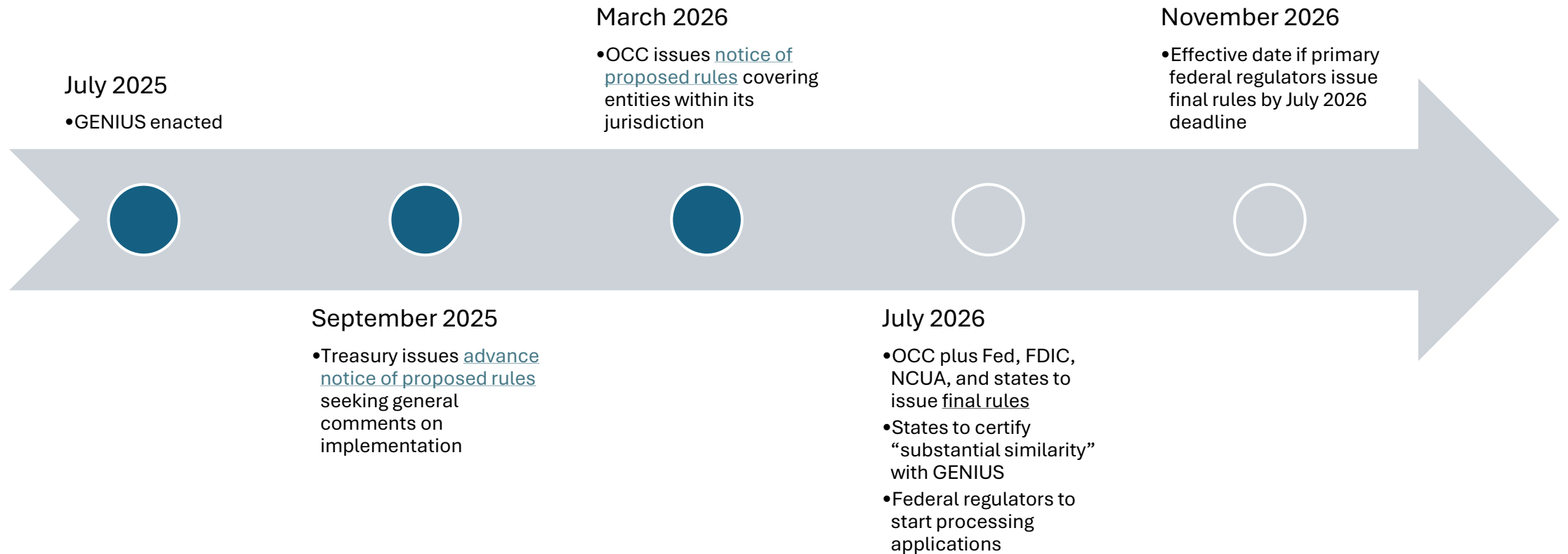
What payment stablecoin issuers are permitted to do

- ✓ Issue and redeem stablecoins backed 100% by eligible reserve assets
- ✓ Manage eligible reserve assets consisting of cash, demand deposits, deposits at the Fed, Treasury bills, overnight reverse repurchase agreements, and certain government money market funds (including tokenized forms of these assets)
- ✓ Provide custodial and safekeeping services
- ✓ Other incidental activities authorized by primary regulator
- ✓ Borrow against Treasury bill holdings to fund redemptions

What payment stablecoin issuers are required to do

- Comply with capital, liquidity, and risk management standards imposed by federal and state regulators
- Publish monthly reserve reports certified by CEO and CFO and examined by public accounting firm
- Refrain from misleading advertising and conditioning services on agreement to buy other products or services
- Maintain AML/sanctions and customer identification programs, comply with lawful orders to seize outstanding stablecoins, etc.

When GENIUS Act rulemakings are anticipated



Notes: Entities within the scope of the OCC’s proposed rules include subsidiaries of insured national banks and federal savings associations, uninsured national banks, federal branches of foreign banks, nonbanks, and foreign issuers. Subsidiaries of other federally-supervised insured depository institutions expected to be covered in future proposals by their respective primary federal regulator (Fed, FDIC, or NCUA) by July 2026.

Open question 1: *Will payment stablecoins continue to pay interest through 3rd parties?*

GENIUS Act prohibition on interest

“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.” (emphasis added)

[12 USC § 5903\(a\)\(11\)](#)

Current rates on stablecoin “rewards” versus bank deposit products

Products	Rates
USDC rewards at three major crypto exchanges	3.50 – 3.75
<i>Bank deposit products (as of February 2026):</i>	
Interest checking	0.07
Savings	0.39
Money market	0.56
3-month CD	1.35

Source: [Crypto.com](#), [Coinbase](#) and [Kraken](#) for USDC rates, [FDIC \(2026\)](#) for national average rates on bank deposit products

Open question 2: *Will payment stablecoins be treated as cash or cash equivalent in financial markets?*

GENIUS Act provisions on treatment as cash or cash equivalent

“A payment stablecoin that is **not issued** by a permitted payment stablecoin issuer **shall not be**

(1) treated as cash or as a cash equivalent for accounting purposes;

(2) eligible as cash or as a cash equivalent margin and collateral for [regulated securities and derivatives intermediaries]; or

(3) acceptable as a settlement asset to facilitate wholesale payments between banking organizations or by a payment infrastructure....”

(emphasis added)

[12 USC § 5902\(g\)](#)

Recent CFTC developments related to stablecoins and tokenized collateral

Date	Description
Nov. 21, 2024	CFTC Global Markets Advisory Committee proposes recommendations for tokenized non-cash collateral
Sep. 23, 2025	CFTC requests public input on the use of stablecoins and other tokenized collateral in derivatives markets
Dec. 8, 2025	CFTC issues no-action letter regarding certain requirements applicable to futures commission merchants accepting certain tokenized collateral as customer margin
Feb. 6, 2026	CFTC re-issues Dec. 8, 2025, no-action letter to clarify applicability to stablecoins issued by a national trust bank

Open question 3: *Will stablecoins not compliant with the GENIUS Act continue to circulate offshore?*

GENIUS Act prohibition on offers/sales of non-compliant offshore stablecoins

“It shall be unlawful for any digital asset service provider to offer, sell, or otherwise make available **in the United States** a payment stablecoin issued by a foreign payment stablecoin issuer unless the foreign payment stablecoin issuer has the technological capability to comply, and will comply, with the terms of any lawful order and any reciprocal arrangement pursuant to section 5916 of this title.” (emphasis added)

[12 USC § 5902\(b\)\(2\)](#)

Comparison of Tether’s USDT versus USAT stablecoins

	USDT	USAT
Launch year	2014	2025
Market cap (millions of \$)	185,129	20
Issuer	Tether Int’l, S.A. de C.V.	Anchorage Digital Bank, NA
Corporate domicile	El Salvador	South Dakota
Auditor	BDO Italia	Deloitte

Source: [rwa.xyz](#), [FFIEC](#), [Tether \(2025\)](#), and [Anchorage Digital Bank \(2026\)](#)

Open question 4: *How much diversification of reserve assets will be required?*

GENIUS Act directs regulators to develop reserve asset rules

Federal and state regulators shall issue regulations implementing “reserve asset diversification, including deposit concentration at banking institutions, and interest rate risk management standards” that

“are **tailored to the business model and risk profile** of permitted payment stablecoin issuers and

do not exceed standards that are **sufficient to ensure the ongoing operations** of permitted payment stablecoin issuers.”

(emphasis added)

[12 USC § 5903\(a\)\(4\)\(iii\)](#)

OCC proposed two diversification options with same numerical standards

Type of requirement	“Option A” optional safe harbor	“Option B” mandatory standards
Min. deposits at bank, credit union, or Fed	≥ 10% of reserve assets	
Min. deposits and assets receivable w/in 5 business days	≥ 30% of reserve assets	
Max. individual firm asset concentration	≤ 40% of reserve assets	
Max. individual firm deposit concentration	≤ 50% of required deposits at bank, credit union, or Fed	
Weighted average maturity	≤ 20 days	

Source: Comptroller of the Currency via [regulations.gov](#)

Open question 5: *Will payment stablecoin issuers have access to deposits at the Fed and other services?*

GENIUS Act leaves legal eligibility to existing laws and regulations

“Nothing in this Act shall be construed as expanding or contracting legal eligibility to receive services available from a Federal Reserve bank or to make deposits with a Federal Reserve bank, in each case pursuant to the Federal Reserve Act.”

[12 USC § 5903\(a\)\(13\)](#)

Selected terms of Fed’s current “payment account” proposal

Term	Description
Legal eligibility	Same as for master accounts
Overnight balances	Limited to lesser of \$500 million or 10% of assets
Interest on reserves	None
Discount window or daylight overdrafts	No access
Services available	Fedwire Funds, National Settlement Service, FedNow, Fedwire Securities for free transfers
Services not available	FedACH, check, cash, Fedwire Securities for transfer against payment

Source: Federal Reserve Board via [regulations.gov](https://www.regulations.gov)

Conclusion

- These open questions, among others, mean that the die isn't cast
- Impacts on the financial sector and financial stability will depend on the standards set by regulators and the choices of stablecoin issuers
- Key question: what balance will develop among less versus more safe and sound business models?
- If safer business models dominate, key issues may be:
 - Concerns about disintermediation of other financial institutions
 - Potential disruptions from flight-to-safety flows to stablecoin issuers
- If less safe business models dominate, key issues may be:
 - Frequency and severity of depeggings and runs on stablecoin issuers
 - Potential spillover effects on Treasury markets