coinbase

To:
Chief Counsel's Office
Attn: Comment Processing
Office of the Comptroller of
the Currency
400 7th Street, SW, Suite 1E-216,
Washington, DC 20219

May 1, 2026

Response to OCC Request for Comment re: Implementing the GENIUS Act for the Issuance of Stablecoins by Entities Subject to OCC Jurisdiction

Coinbase Global, Inc. (together with its subsidiaries, "**Coinbase**") appreciates the opportunity to respond to the notice of proposed rulemaking ("**NPR**") on implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act ("**GENIUS**," "**the Act**," or "**the GENIUS Act**") for the issuance of stablecoins by entities subject to the jurisdiction of the Office of the Comptroller of the Currency ("**OCC**").

Coinbase is the most trusted service provider of crypto trading, custody, and infrastructure in the world. Founded in 2012 and publicly listed on the NASDAQ, we offer a secure and user-friendly interface for millions of verified retail and institutional investors globally. We are committed to building an open financial system and are doing so with the strongest regulatory compliance and security protocols available.

The appropriate role of implementing agencies under GENIUS is to promulgate regulations consistent with the statute so that Americans can benefit from stablecoins at scale. Agencies lack authority to impose any requirements that go beyond what the statute commands. It is vital that OCC recognizes and allows different business models and market structures to realize the full promise of GENIUS.

Coinbase appreciates the OCC's attention and efforts in implementing the GENIUS Act, and we look forward to working toward a fit-for-purpose framework for stablecoin issuance in the U.S.

Yours sincerely,

Faryar Shirzad
Chief Policy Officer
Coinbase

Table of Contents

Introduction

Congress enacted the GENIUS Act to ensure that the U.S. dollar remains the leading currency as global commerce moves onchain, and to ensure that the tokenized dollar is issued in the United States. GENIUS is the product of careful work by members of Congress and the Administration after months of deliberations and input from the public and a broad range of stakeholders, including banks, stablecoin issuers, digital asset intermediaries, and consumers, who currently bear significant unnecessary costs from our antiquated payment system.

Effective implementation of GENIUS will determine whether that statutory promise is realized in practice. If the OCC adheres closely to the text and structure of the Act, GENIUS will give issuers a clear path to deliver safer, more transparent dollar-backed stablecoins to consumers, while a cheaper, faster, and more resilient payment system will take hold in our economy.

Done right, GENIUS can onshore stablecoin innovation, strengthen the role of the U.S. dollar in digital markets, and provide households and businesses with reliable payment services at lower cost and higher settlement speeds than what is currently available to them. Any attempt to import bank-style constraints designed for entities that engage in fractional reserve lending will frustrate the achievement of these objectives.

It is in this spirit that we offer our comments on the OCC's proposed framework for implementing GENIUS. Our perspectives begin with the premise that the OCC does not have authority to treat this rulemaking as a blank canvas for imposing new restrictions or re-litigating compromises that Congress has already resolved in GENIUS. Aspects of the proposal unfortunately would invert that design, stifle stablecoin innovation and adoption, and undermine the benefits Congress intended for permitted payment stablecoin issuers ("**PPSIs**") and users.

Nowhere is that more clear than in the proposed rule's rewards and yield provisions. The issuer-yield prohibition in § 4(a)(11) of GENIUS was the subject of intense negotiation with the broad range of banking interests, stablecoin issuers, digital asset intermediaries, and others all at the table. The result was a precisely tailored compromise whereby *issuers* may not pay interest or yield *solely* in connection with the holding, use, or retention of a permitted payment stablecoin.

Congress purposefully did not extend that prohibition to affiliates, distributors, merchants, or other third parties. Until and unless Congress revisits that decision through new legislation, the OCC has no authority to diverge from the statute, and certainly not through conditioning rewards by introducing *de minimis* requirements, rebuttable presumptions, or ill-defined and potentially expansive definitions of "indirect interest." It would be an unauthorized amendment in direct tension with Congress's choice to leave room for rewards-driven innovation.

Finally, this OCC rulemaking is just one of several GENIUS implementations that together will determine whether PPSIs can realistically enter the market and meet consumer demand. GENIUS requires coordination among the primary Federal payment stablecoin regulators for exactly this reason. A regime that is fragmented or inconsistent across federal agencies will not be workable, no matter how comprehensive any single rule may be. If the OCC creates extra-statutory yield restrictions, custody rules, or capital and diversification standards and therefore diverges materially from the statute — and by doing so, also diverges from the likely rules emanating from the partner agencies — it will undermine a critical component of the Trump Administration's commitment to eliminating uncertainty and ambiguity from regulation.

Our comments below are organized into three sections:

- **The first section describes critical issues in the proposed rule's approach**. This includes areas where the proposal exceeds the OCC's rulemaking authority and areas that appear to reflect fundamental misunderstandings or failure to recognize market practices and how different business models can effectively implement the requirements of the GENIUS Act.
- **The second section discusses elements of the proposal that require clarification or revision** in order to effectively implement GENIUS and suggests alternative approaches that would better accomplish the Act's requirements.
- **The third section identifies provisions that should be preserved as proposed** — *i.e.*, those provisions where the proposal closely tracks the text and structure of the GENIUS Act and would promote safe, scalable payment stablecoin issuance if finalized substantially as proposed.

1. Critical Issues with the Proposed Rule

This section highlights areas where the proposed rule departs from the GENIUS Act's text or structure, exceeds the OCC's rulemaking authority, or reflects misunderstandings of stablecoin market practices and business models. We explain why these flaws would undermine Congress's objectives for GENIUS and offer targeted changes to realign the rule with the statute and workable market structures.

1.1 – Interest/yield

The OCC inexplicably proposes to broaden the prohibition against paying interest or yield on stablecoins to payments of interest or yield by certain third parties, and proposes to do

coinbase

this through a burden-shifting framework. Specifically, the proposed rule would create a "rebuttable presumption" that a PPSI is itself paying prohibited interest or yield where: (A) it pays interest or yield to an affiliate or related third party; and (B) that affiliate or related third party pays interest or yield (whether in cash, tokens, or other consideration) to holders of the PPSI's payment stablecoin solely for holding, using, or retaining it. In a white label arrangement, the presumption applies only to holders of the related third party's white labeled stablecoin. The PPSI may rebut the presumption with "sufficient evidence to the contrary," but the proposal does not specify what that entails.

Although this burden-shifting framework has fatal flaws on its own terms, as discussed below, the more fundamental problem is that the OCC lacks statutory authority to extend the issuer-yield prohibition to third parties. Section 4(a)(11)'s yield prohibition applies only to a "permitted payment stablecoin *issuer*"; it does not extend that prohibition to affiliates, distributors, merchants, or other third parties.[1] The term "permitted payment stablecoin issuer" is defined in the statute and does *not* include an issuer's affiliates or third parties.[2] The GENIUS Act elsewhere refers to affiliates and third parties, including by defining the term "institution-affiliated party," but it does not reference those entities in the issuer-yield prohibition.[3]

That was a deliberate and carefully negotiated limitation on GENIUS's scope, and the OCC "has no power to...rewrit[e] unambiguous statutory terms."[4]

Congress made that point doubly clear in § 5(g) with an explicit constraint on agencies augmenting the GENIUS Act's requirements: the Federal payment stablecoin regulators, including the OCC, "may not impose requirements in addition to the requirements specified under section 4," including the requirements of the issuer-yield prohibition.[5] The statute thus gives the OCC a narrow mandate to implement an issuer-only prohibition as written, not a general license to redesign the yield framework by rule.

The proposed rule cites the OCC's authority to "prevent evasion" of the GENIUS Act's "requirements" as supporting its "rebuttable presumption" framework.[6] But an affiliate's or third party's payment of yield is not an "evasion" of the issuer-yield prohibition — that is

[1] 12 U.S.C. § 5903(a)(11) (emphasis added).
[2] 12 U.S.C. § 5901(23).
[3] 12 U.S.C. § 5901(13).
[4] *Utility Air Reg. Grp. v. EPA*, 573 U.S. 302, 325 (2014).
[5] 12 U.S.C. § 5904(g).
[6] 12 U.S.C. § 5903(h)(1).

exactly how the statute was designed to operate.[7] That remains true even when the affiliate or third party has a contractual relationship with the issuer under which the issuer pays the affiliate or third party for certain services, including for distributing, marketing, and providing liquidity for the issuer's stablecoin. Indeed, the OCC seems to recognize this in the context of white label stablecoin arrangements. As the proposal describes, the issuer-yield prohibition is "not intended to prevent a PPSI from sharing in the profits derived from the payment stablecoin with a non-affiliate partner in a white label arrangement."[8] That statement recognizes that a *third party's* payment of yield is not an "evasion" of the *issuer*-yield prohibition. But that remains true even when the affiliate or third party has a contractual relationship with the issuer under which the issuer pays the affiliate or third party for certain services, including for distributing, marketing, and providing liquidity for the issuer's stablecoin.

In short, GENIUS's yield prohibition is clear that it applies to issuers *only*. This was a sensible approach, given that rewards payments are critical to promoting adoption of stablecoins as Congress intended, and restricting their payment even by third parties would frustrate the goals of the statute. The proposed rule's efforts to expand the prohibition to other parties is an attempt to create restrictions that Congress rejected in GENIUS.

Question 36 – Rebuttable presumption

Recommendation: The OCC should not adopt the proposed "rebuttable presumption" framework. The issuer-only yield prohibition should be enforced directly under the statute, with the OCC bearing the burden of proof in any enforcement action rather than shifting that burden onto PPSIs through open-ended, ad hoc rebuttal processes.

The OCC asks whether the rule's proposed rebuttable presumption adequately addresses concerns of evasion, whether the presumption is sufficiently clear, and whether the OCC should propose a safe harbor for activities that would not violate the statutory prohibition.

As already explained, the OCC lacks statutory authority to extend the issuer-yield prohibition to third parties. The agency's effort to extend this prohibition through the pretense of anti-evasion through its proposed "rebuttable presumption" framework does

---

[7] Nor could the proposed extension of the issuer-yield prohibition be justified as necessary to advance that prohibition's purpose. Such purposive arguments find no foothold in the statute Unlike other statutes that authorize agencies to "prevent evasions" of "the purposes of this chapter," *e.g.*, 12 U.S.C. § 1844(b), the GENIUS Act authorizes the OCC to prevent evasion only of the Act's "requirements," *id.* § 5903(h)(1). And even a broader purpose-based evasion provision does not empower an agency to "expand its jurisdiction beyond the boundaries established by Congress." *Bd. of Governors of Fed. Rsrv. Sys. v. Dimension Fin. Corp.*, 474 U.S. 361, 373 n.6 (1986).

[8] 91 Fed. Reg. 10,205 (Mar. 2, 2026).

not work. The OCC's substantive presumption — based on factors like the "nexus" between the issuer and stablecoin holder — unjustifiably tilts the evidentiary scale and alleviates the OCC of its burden to demonstrate violation of a statutory prohibition in an enforcement proceeding. "Enforcement officials within the OCC bear the burden of proof" in an agency enforcement proceeding.[9] And, the law is clear that "an agency is not free to ignore statutory language by creating a presumption on grounds of policy to avoid the necessity for finding that which the legislature requires to be found."[10]

Although the OCC touts the rebuttable presumption as offering needed clarity, it will have the opposite effect in practice and impose significant costs on the digital asset industry and the agency. Similar rebuttable presumption frameworks have, in other contexts, been extremely challenging to administer, both for industry and regulators.[11] The same would be true here. The OCC's proposed approach flips the burden of proof onto PPSIs to prove that they are not engaging in purported "evasive" activity by entering into agreements with third parties that are otherwise permitted by the statutory text.

Moreover, the proposal does not explain the process by which a PPSI would rebut the presumption, or the factors that the OCC would consider in making a determination that an arrangement was or was not prohibited. Therefore, it seems that a PPSI would need to present arrangements through an ad hoc process for case-by-case evaluation by the OCC. That raises serious concerns of "unfair surprise."[12] This type of process cannot be efficient and rarely leads to predictable or consistent results. The proposal is therefore not only contrary to the statute, but also would create confusion and uncertainty, ultimately discouraging PPSIs from exploring business models and imposing significant new costs for PPSIs.

The rebuttable presumption is also a solution in search of a problem. The OCC has identified no widespread efforts to evade the issuer-yield prohibition or any real-world harm that purported evasions have caused. Nor could it, as the GENIUS Act hasn't even been implemented yet. The OCC cannot impose an extra-statutory burden-shifting regime under the guise of preventing "evasion" that would impose significant compliance costs on issuers, affiliates, and third parties without evidence of a real problem.[13] And, the OCC

---

[9] *See Loumiet v. United States*, 948 F.3d 376, 384 (D.C. Cir. 2020) (citing 5 U.S.C. § 556(b) & (d)).
[10] *Shi Liang Lin v. U.S. Dep't of Justice*, 494 F.3d 296, 308 (2d Cir. 2007) (quoting *United Scenic Artists v. NLRB*, 762 F.2d 1027, 1034 (D.C. Cir. 1985)).
[11] *See, e.g.*, Office of the Comptroller of the Currency, Volcker Rule Notice-and-Comment Summary https://www.occ.treas.gov/topics/supervision-and-examination/capital-markets/financial-markets/trading-volcker-rule/volcker-notice-comment-summary.pdf (last visited Apr. 30, 2026) (summarizing industry comments that the proprietary-trading "rebuttable presumption" standard was unworkable in practice and required later revision).
[12] *Christopher v. SmithKline Beecham Corp.*, 567 U.S. 142, 156 (2012).
[13] *See Chamber of Com. of United States v. SEC*, 85 F.4th 760, 778 (5th Cir. 2023).

cannot do so without showing that the rule's purported benefits outweigh those costs and burdens.[14]

Question 37 – Direct vs. indirect yield

Recommendation: The OCC should not broaden the issuer-yield prohibition to cover "direct or indirect" yield or recast ordinary commercial arrangements as "indirect interest." Instead, the OCC should preserve the issuer-only compromise in GENIUS and confirm that profit-sharing and other third party rewards remain permissible where the issuer is not paying yield "solely for holding" the stablecoin.

The OCC asks if the prohibition on interest or yield in proposed Part 15.10(c)(4) should be broader to prevent issuers from "directly or indirectly" paying interest or yield to payment stablecoin holders, rather than presuming that certain arrangements with affiliates or related third parties violate the prohibition.

Similar to the above discussion on the "rebuttable presumption," broadening the prohibition to "direct or indirect" yield from any connected party, or recasting clear statutory terms to sweep in third party rewards, would collapse the issuer-only compromise Congress struck and replace it with a system-wide ban that GENIUS does not authorize. The OCC cannot evade the GENIUS Act's express limitation to "issuers" on a theory of "indirect" payment.

Again, the proposal effectively recognizes as much by providing that the yield prohibition in § 4(a)(11) is "not intended to prevent a PPSI from sharing in the profits derived from the payment stablecoin with a non-affiliate partner in a white label arrangement."[15] Those profits, by definition, may reflect interest or yield on reserves. If the OCC simultaneously affirms that such profit-sharing is permissible and then treats similar economic sharing as indirect payments of interest or yield, the regime becomes incoherent and unworkable. It would force PPSIs to determine, on a case-by-case basis, whether ordinary commercial agreements with distributors or white label partners are a form of indirect yield payments.

Question 38 – Defining "pay," "interest," "yield," or "solely"

Recommendation: The OCC should not redefine "pay," "interest," "yield," or "solely" in regulation. Their ordinary meanings make it clear that the prohibition covers only issuer payments of yield "solely in connection with the holding, use, or retention" of a payment stablecoin, and does not extend to bona fide third party loyalty or rewards programs.

[14] *See Michigan v. E.P.A.*, 576 U.S. 743, 759 (2015).
[15] 91 Fed. Reg. 10,205 (Mar. 2, 2026).

The OCC asks if the prohibition on interest or yield in Part 15.10(c)(4) should clarify the terms "pay," "interest," "yield," "solely," or any other terms, and what types of rewards, if any, should be subject to the prohibition.

The OCC does not need to, and should not, "clarify" those terms in its regulations. They have ordinary, well-understood meanings and are used consistently with those meanings in GENIUS. Attempts to "clarify" could unhelpfully change the scope of the underlying provisions in ways unsupported by the statute. The OCC also should explain that the issuer-yield prohibition does not apply to payments of rewards at all, and at a minimum does not encompass rewards paid by third parties to their customers as part of bona fide loyalty programs. The prohibition instead covers only payments of yield "*solely* in connection with the holding, use, or retention" of a stablecoin.[16] The OCC lacks authority to extend the prohibition further, and doing so would reduce consumer value and limit healthy competition in payments without any corresponding safety-and-soundness benefit.

Question 39 – Economic impact on a broad vs. narrow prohibition

Recommendation: The OCC should not broaden or narrow the issuer-yield prohibition beyond GENIUS. Economic evidence shows that a broader yield ban would have negligible benefits for bank lending while imposing large, measurable welfare losses on consumers and weakening competition and innovation in payments.

The OCC asks if there would be an economic impact if there were to be a "narrow prohibition" on the interest/yield provision, and whether a prohibition (or lack thereof) would have an impact on bank deposits.

Again, while the OCC does not have authority to modify the existing issuer-yield prohibition in GENIUS, there is no policy justification for doing so either. The concern that stablecoin yield will meaningfully disintermediate the banking system is not supported by the available economic evidence. In April 2026, the Council of Economic Advisers ("**CEA**") published an analysis finding that a full prohibition on stablecoin yield would increase aggregate bank lending by just $2.1 billion — a 0.02% change — while imposing a net welfare cost of $800 million annually and a cost-benefit ratio of 6.6.[17] As the CEA summarized, "a yield prohibition would do very little to protect bank lending, while forgoing the consumer benefits of competitive returns on stablecoin holdings."[18] These findings confirm that the issuer-yield prohibition in § 4(a)(11) already reflects the

[16] 12 U.S.C. § 5903(a)(11) (emphasis added).
[17] Council of Econ. Advisers, Exec. Office of the President, *Effects of Stablecoin Yield Prohibition on Bank Lending* at 14 (Apr. 8, 2026) https://www.whitehouse.gov/research/2026/04/effects-of-stablecoin-yield-prohibition-on-bank-lending/.
[18] Council of Econ. Advisers at 1.

appropriate policy calibration, and the OCC should not use this rulemaking to layer on additional restrictions that would impose real costs on consumers and competition with no meaningful corresponding benefit to lending or financial stability.

Rewards and yield-sharing are not incidental to payments adoption. They are a core mechanism by which payment systems compete. Credit cards, payment apps, and bank payment networks all rely on cash-back, loyalty, and other incentives to drive usage, and banks have long argued that such programs are legitimate and pro-consumer. Allowing well-regulated PPSIs to use comparable tools would simply put stablecoins on a level footing with these existing rails, enabling merchants and consumers to benefit from lower fees and faster settlement without giving up the incentives they are accustomed to. New, safer forms of digital dollar should not be uniquely barred from using the same rewards architecture that legacy systems have relied on for decades.

Question 35 – *De minimis* exception

Recommendation: The OCC should not adopt any *de minimis* exception or other modification to the issuer-yield prohibition in § 4(a)(11) of GENIUS. Instead, the OCC's regulations should restate the statutory provision to avoid creating uncertainty about the scope of that provision.

The OCC asks whether the prohibition on issuers paying interest solely in connection with the holding of a permitted payment stablecoin could be clarified, and whether it would be helpful to include a *de minimis* exception to provide certainty with respect to arrangements that are not designed to violate the prohibition and that do not have a meaningful economic impact.

The OCC's regulations should restate the § 4(a)(11) statutory prohibition on issuer yield payments, and should not adopt any *de minimis* exception or otherwise seek to clarify the already clear statutory language. A *de minimis* construct or other attempts at clarification would introduce unnecessary uncertainty.

1.2 – Reserve requirements

Question 46 – Buffers or haircuts on reserve assets

Recommendation: The OCC should not mandate fixed regulatory reserve buffers or haircuts. Instead, the OCC should allow PPSIs to manage modest buffers and internal haircuts as a matter of prudent risk management, supported by principles-based expectations and guidance on typical ranges.

The OCC asks if it should issue a rule requiring a buffer or haircut on certain reserve assets to ensure that reserve asset values do not fall below outstanding issuance values

("**OIVs**") — and thus to enable PPSIs to meet the statutory requirement to maintain identifiable reserves "on an at least 1 to 1 basis"[19] — or alternatively provide guidance on what level of buffer is generally appropriate as a matter of prudent risk management.

The latter approach is the proper one. The OCC should allow issuers to manage modest reserve buffers or internal haircuts as a matter of prudent risk management. Rigid, one-size-fits-all regulatory buffers could significantly reduce the viability of a PPSI's business without materially improving safety. And, the need for buffers or haircuts should depend on the actual need for liquidity, which will vary by PPSI business model and the management strategy employed by the PPSI for its reserve. An ideal approach would combine principles-based expectations around interest rate risk management, stress testing, and liquidity planning with non-binding guidance on typical buffer ranges, leaving room for supervisors to tailor expectations to an issuer's specific redemption profile and asset composition.

Question 47 – Custody location requirements for reserve assets

Recommendation: The OCC <u>should not</u> require that a fixed percentage of reserve assets be held at affiliates versus third party custodians. The OCC should instead focus on operational resilience, concentration risk, and bankruptcy remote segregation while allowing PPSIs flexibility in how they allocate reserves across affiliated and unaffiliated custodians.

The OCC asks if it should expressly require that a certain percentage of reserve assets be held in custody either at an affiliate or, conversely, at a third party.

The OCC's proposal to impose a rigid quota requiring that a fixed percentage of reserve assets be held at third-party custodians versus affiliated custodians exceeds the agency's statutory authority. The OCC's authority to issue regulations requiring "reserve *asset* diversification" does not authorize regulations requiring reserve *custodian* diversification.[20] It is also unnecessary and does not further the purpose of the statute, which is to ensure safeguarding of PPSI reserve assets and the ability of the PPSI to liquidate (or, in the words of the proposal, "monetize") those assets as needed. Instead, the regulatory focus should be on operational resilience, concentration risk, and clear segregation from custodians' own creditors. Issuers should have flexibility to use a mix of affiliated and unaffiliated custodians based on cost, expertise, and risk profile, subject to robust due diligence, ongoing monitoring, and legal structures that ensure reserves remain bankruptcy remote and promptly accessible for redemptions.

[19] 12 U.S.C. § 5903(a)(1)(A).
[20] 12 U.S.C. § 5903(a)(4)(A)(iii) (emphasis added).

Questions 57, 58, 60, 61, 64, 65, 67, 70, and 72 – Reserve Asset Diversification and Concentration

As a general matter, the proposed requirements related to liquidity and reserve asset diversification go beyond the statute and are otherwise inconsistent with the purpose of the GENIUS Act.

GENIUS Act § 4(a)(4)(A)(iii) authorizes the Federal payment stablecoin regulators to issue regulations implementing "reserve asset diversification, including deposit concentration at banking institutions, and interest rate risk management standards."[21] However, the proposal goes beyond the statute's reserve *asset* diversification requirement, proposing requirements that more closely resemble a reserve *custodian* diversification requirement. Such a requirement is not contemplated by the statute, would not address the risks of a non-diversified reserve, and would increase operational risks for a PPSI. It should not be adopted as proposed.

Equally concerning, the framework fails to meet the GENIUS mandate that these requirements be risk-based and tailored to the narrow business models of PPSIs, including that asset diversification requirements not exceed what is sufficient to ensure ongoing operations. The proposed liquidity and asset diversification framework is simultaneously: (1) stricter than Basel III, which is applicable to depository institutions that by design take on more asset-liability risks than payment stablecoin issuers; and (2) less sophisticated in its stress methodology. At the same time, certain PPSIs may not have equivalent Reserve Bank access as insured banks, and thus the PPSI would be more constrained in how it could meet these requirements.

As shown by our economic analysis below, for stablecoin reserves consisting of bank deposits and short-term Treasuries, concentration limits limited to uninsured deposit holdings — and not applied more broadly — deliver most of the resilience benefits. Additional hard caps, insured deposit quotas, and forced diffusion of deposits and non-deposit assets held in custody across large numbers of banks add little stability and can increase run and operational risk and reduce reserve yields.

An important factor in this analysis is that PPSIs, under the proposed rules, can have T+2 redemption windows for their stablecoins. This provides sufficient time, both from a market liquidity as well as an operational perspective, to monetize almost all permissible reserve assets.

Custodial Diversification Requirements are Inconsistent with the Statute and Can Be Counterproductive

[21] *Id.*

Recommendation: The OCC should not adopt the proposed custodial diversification requirements because they exceed the statute's scope and would be counterproductive.

The proposal's focus on diversifying reserve asset holdings across "eligible financial institutions" and across custodians exceeds the statute's scope. Section 4(a)(4)(A)(iii) authorizes the OCC only to require "reserve asset diversification, including deposit concentration at banking institutions." In other words, it authorizes the OCC to require diversification of reserve assets and impose limits on a PPSI's bank deposits with any particular depository institution. GENIUS does not contemplate or authorize the imposition of requirements regarding diversification of custodians for a PPSI's reserve assets.

Imposing limits on a PPSI's deposits at any one bank is sensible and the correct policy outcome because that relationship exposes the PPSI to meaningful credit risk to the deposit-issuing bank. However, asset concentration risk is fundamentally different from custodial concentration risk. The risk profile of a PPSI's holdings of Treasuries, money market fund shares, or other assets at a bank under a custodial relationship entails operational, and not credit, risk to the custodian.[22]

The proposal fails to reflect this essential difference. Moreover, in failing to do so, the proposal's "diversification" requirements for custodians could have the opposite outcome, and impose additional risks to a PPSI for its custodial arrangements. Having to hold reserve assets in different custodians in separate portfolios, which would need to be coordinated and managed separately, would increase operational complexity and costs for a PPSI. In addition, the PPSI would need to rebalance across custodians or manage a larger number of transaction processes when liquidating assets to meet redemptions or to invest funds it receives for stablecoin issuance. This increases the opportunities for operational and process errors without any meaningful regulatory benefit.

Liquidity and Asset Diversification Requirements Should be Reformulated to be Tailored and Principles-Based

Recommendation: The OCC should not adopt the liquidity and reserve diversification requirements as proposed in Part 15.11(c), for the reasons set out below. We recommend that the OCC adopt reserve concentration limits as follows:

[22] *See e.g.*, The Clearing House, *The Custody Services of Banks* (July 2016), available at https://bpi.com/wp-content/uploads/2018/07/20160728_tch_white_paper_the_custody_services_of_banks.pdf ("Operational risk is particularly relevant to custodians because the provision of custody services is largely dependent on the successful execution of large volumes of operational and administrative tasks and processes that require sophisticated systems to manage").

1. concentration limits only for a PPSI's uninsured deposits, not for other types of eligible reserves assets; and
2. a tiered limit for uninsured deposits that reflects historical loss rates, for example, 3-4% of a PPSI's reserve assets in uninsured deposits at any single G-SIB and 1% of the PPSI's reserves in uninsured deposits at any single non-G-SIB.

The proposal sets out two alternative approaches to PPSI liquidity and reserve diversification requirements, and neither is appropriate. The first approach involves a safe harbor, under which a PPSI would be deemed in compliance with these requirements if the PPSI maintains on each business day: (i) at least 10% of its required reserve assets as readily available funds (*i.e.*, a 10% daily liquidity floor); (ii) at least 30% of its reserve assets as available weekly liquidity (*i.e.*, a 30% weekly liquidity floor); (iii) no more than 40% of its reserve assets at any one eligible financial institution (*i.e.*, a 40% single institution cap); (iv) no more than 50% of the 10% daily liquidity floor at any one eligible financial institution (*i.e.*, a 50% daily liquidity concentration sublimit); and (v) reserve assets with a weighted average maturity of no more than 20 days. The second approach would impose these requirements as a minimum standard, without the concept of a safe harbor.

As we explain below, the final rule should apply a concentration limit only to uninsured commercial bank deposits. No other quantitative limits, including those on other types of reserve assets or to custodians or repurchase ("**repo**") counterparties, should be adopted. GENIUS's statutory requirements for repos are sufficient and, as explained above, concentration requirements for custodied assets are inappropriate.

At the core of GENIUS is the requirement that a PPSI hold reserves consisting only of specific types of eligible assets. All of these assets are, by design of the statute, already liquid and short-term. Indeed, the purpose of the reserve requirement, including its amount and the types of assets it may comprise, is to ensure that the PPSI is able to redeem all outstanding stablecoins upon demand. Mandating an additional minimum balance in commercial bank money imposes an unnecessary risk profile (*i.e.*, demand deposit credit risk) without commensurate liquidity benefit.

A PPSI, under the proposal, will have a two business-day redemption window for its payment stablecoins, which provides ample time for the PPSI to monetize any of its permitted reserve assets, including overnight reverse repos.

- <u>(i) Daily liquidity</u>: at least 10% of its required reserve assets as readily available funds (*i.e.*, a 10% daily liquidity floor).

The 10% daily liquidity floor requirement lacks empirical or theoretical support and is inconsistent with international prudential standards. But, if it is adopted, the reserve assets should also include overnight T-bill secured reverse repos within the daily liquidity calculation.

If the OCC adopts a daily liquidity floor, the floor should at a minimum be recalibrated to include overnight T-bill-secured reverse repos. In a reverse repo, the PPSI is the cash provider, not the cash taker, with a contractual right to its return the following morning, secured by the most liquid collateral in existence — short-term U.S. Treasuries. During the 2007–08 global financial crisis, the run in repo was concentrated in segments backed by private-label securitizations and other non-Treasury collateral, with haircuts on those securities spiking sharply, while haircuts on Treasury collateral remained largely unchanged.

Consistent with this view, the Basel III intraday liquidity framework, which governs banks, imposes no equivalent daily cash floor, despite depository institutions holding a much less liquid mix of assets. It would be illogical for GENIUS implementing regulations to set a more stringent liquidity framework than what currently exists for banks, particularly given that PPSIs, unlike banks, do not engage in fraction reserve lending. Therefore, the final rule should not adopt this daily liquidity floor.

- <u>(ii) Weekly liquidity</u>: at least 30% of its reserve assets as available weekly liquidity (*i.e.*, a 30% weekly liquidity floor).

The proposed 30% weekly liquidity floor has no meaningful effect because it is entirely redundant with the reserve asset eligibility requirements of Part 15.11(b) and should not be adopted.

Under the proposal, the 30% weekly liquidity floor can be met with any reserve asset that can be monetized within five business days, including: amounts receivable on pending sales of reserve assets; assets that mature within that window; and other short-dated transactions. Every permitted reserve asset under Part 15.11(b) satisfies this criterion without exception:

- demand deposits and Federal Reserve balances are available instantly;
- overnight reverse repos mature the following morning;
- money market funds redeem same-day or T+1; and
- Treasury bills, regardless of remaining maturity, can be sold at T+1 settlement in the world's most liquid securities market or repo'd overnight pursuant to Part 15.10(c)(5)(iii).

coinbase

Because all of the permitted reserve assets are monetizable within one to two business days — well within the five-day window — this requirement does no meaningful work and should not be adopted.

- (iii) Single institution cap: no more than 40% of its reserve assets at any one eligible financial institution (*i.e.*, a 40% single institution cap)**.**

The proposed cap on maintaining 40% of reserve assets at a single institution conflates two fundamentally distinct categories of concentration risk — credit risk and infrastructure concentration — ultimately producing compliance requirements that are simultaneously impossible to meet and analytically unsupported.

Any consideration of a cap should be limitted to the genuine and documented concentration risk: uninsured deposits concentrated at a single bank, where failure can render reserves temporarily or permanently inaccessible with no government guarantee of recovery.

However, as drafted, the cap's look-through requirement covers eligible reserve assets other than uninsured commercial bank deposits, including where concentration risk is not a relevant risk and where diversification is operationally impossible.

U.S. Treasury securities and Treasury repo infrastructure provide clear examples. Fedwire Securities Service, operated by the Federal Reserve, is the sole custody and settlement infrastructure for all U.S. Treasury securities. Every permitted T-bill holding ultimately resides on Fedwire with no alternative available. FICC, a designated Systemically Important Financial Market Utility ("**SIFMU**") with explicit Federal Reserve backstop, is the sole central counterparty for cleared Treasury repos — the exact structure encouraged by GENIUS and, accordingly proposed Part 15.11(b)(5)(ii).

Similarly, there is only one remaining tri-party repo clearing bank for U.S. Treasury repos, and it handles virtually all of the cleared tri-party repo market and carries an implicit government backstop as a designated Global Systemically Important Bank ("**G-SIB**"). For these common eligible reserve assets, it is not possible for a PPSI to meet the proposed 40% single institution concentration limit, and the limit does not reduce risk even if it was possible to meet it, given the nature of the custodians and counterparties. This unintended consequence is contrary to the purpose of GENIUS.

The concentration limit is further flawed by otherwise permitting unsafe reserve structures. Consider the following hypothetical:

First, a PPSI holding 40% of its reserves as uninsured deposits at two different banks, regardless of the bank's credit ratings or operational qualifications. This would satisfy the concentration cap on its face, as no single institution exceeds 40% and would also satisfy the daily and weekly liquidity floors, in prongs (i) and (ii). Yet, this PPSI would be severely exposed to the credit and operational risks of these banks as an almost entirely uninsured, unsecured creditor. The Silicon Valley Bank ("**SVB**") and Signature Bank failures in 2023 shows how these risks can come to fruition.

Second, consider a PPSI with a reserve consisting of minimal deposits and otherwise T-bills and tri-party repos held through one custodian and clearing agent, where the reserve assets: (i) have minimal or zero credit risk secured by the most liquid collateral in existence; and (ii) the custodian and clearing agent has systemic backstops and is the only available counterparty for these assets. While safer than the first reserve structure, it would fail the concentration cap and not be permitted under the proposal.

The proposal therefore simultaneously permits reserve structures with high levels of credit risk in the name of liquidity while penalizing the safest reserve structures, revealing a fundamental flaw in using a single numerical threshold without distinguishing between private credit risk and infrastructure or custodian concentration and should not be adopted.

- <u>(iv) Daily liquidity concentration sub-limit</u>: no more than 50% of the 10% daily liquidity floor at any one eligible financial institution (*i.e.*, a 50% daily liquidity concentration sublimit).

The proposed 50% daily liquidity concentration sub-limit is both misconceived in its scope and dramatically miscalibrated in its threshold. Under that sub-limit, a PPSI cannot hold more than half of the required 10% reserve assets for daily liquidity — the safe harbor's first requirement — at a single institution. As currently drafted, it applies to all types of eligible reserve assets: Federal Reserve balances, overnight T-bill secured reverse repos, money market funds, as well as uninsured private commercial bank deposits. These three exposures have radically different risk profiles that warrant distinct regulatory treatment.

For the same reasons as set out above, concentration limits should apply only to uninsured deposits, not to other types of eligible reserves assets. To the extent the OCC determines to adopt the type of sublimit proposed in prong (iv), it should apply only to uninsured deposits and be appropriately calibrated based on the risks presented by different types of deposits.

Specifically, we recommend a tiered sub-limit calibrated to the potential impact of any expected losses from holding uninsured deposits in the event of a bank failure; for example, 3-4% of reserves for any single G-SIB and 1% of reserves for any single non-G-SIB commercial bank. Such a tiered framework is simultaneously more protective against genuine systemic risk, better tailored to actual risk profiles as required by the GENIUS Act, and more consistent with the empirical lessons of the SVB episode than a uniform 50% threshold that provides only the appearance of protection.

Our analysis in support of this approach is set out below. As illustrated in Figure 1, the historical recovery rate for uninsured deposits of failed banks over the past 25 years averages 73.8%. However, full recovery is a protracted process, typically requiring an average of 7.9 years to finalize.

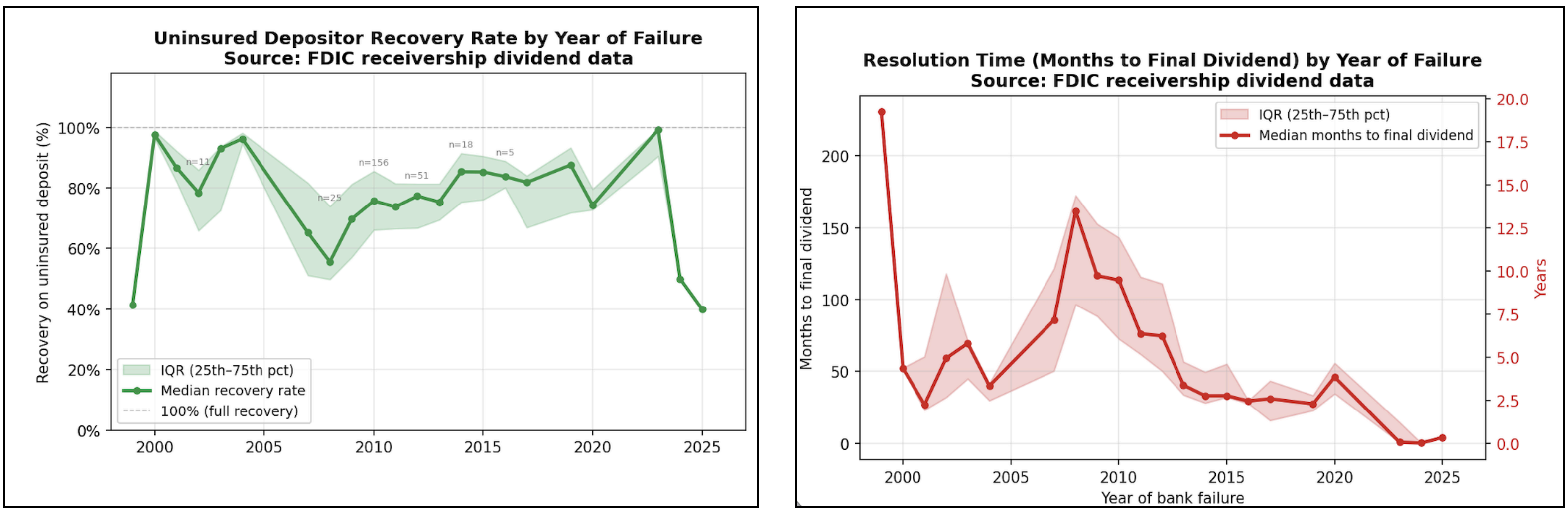

Figure 1. Uninsured Deposit Recovery rate and Resolution Time for failed banks (2000-2025). Source: FDIC and internal calculation.

To determine the economic impact on uninsured depositors, we calculate the effective loss by discounting recovered funds over the resolution period. Applying a conservative discount rate of 4.5% per year to account for the market risk of the loan performance, the average effective loss is 31%.

As shown in Figure 2, this loss has significant heterogeneity based on institution size. Notably, and expectantly given the historical too-big-to-fail doctrine, very large banks demonstrate substantially lower expected losses compared to smaller banks.[23]

[23] Only 4 very large banks failed over the last 25 years, and they all had either a full-deposit purchase and assumption resolution (WaMu and First Republic), or invoked the Systemic Risk Exemption ("**SRE**") (SVB and Signature Bank), with full recovery and immediate resolution. In our analysis, we assume that the FDIC only covers insured deposits (*i.e.*, without explicit or implicit SRE).

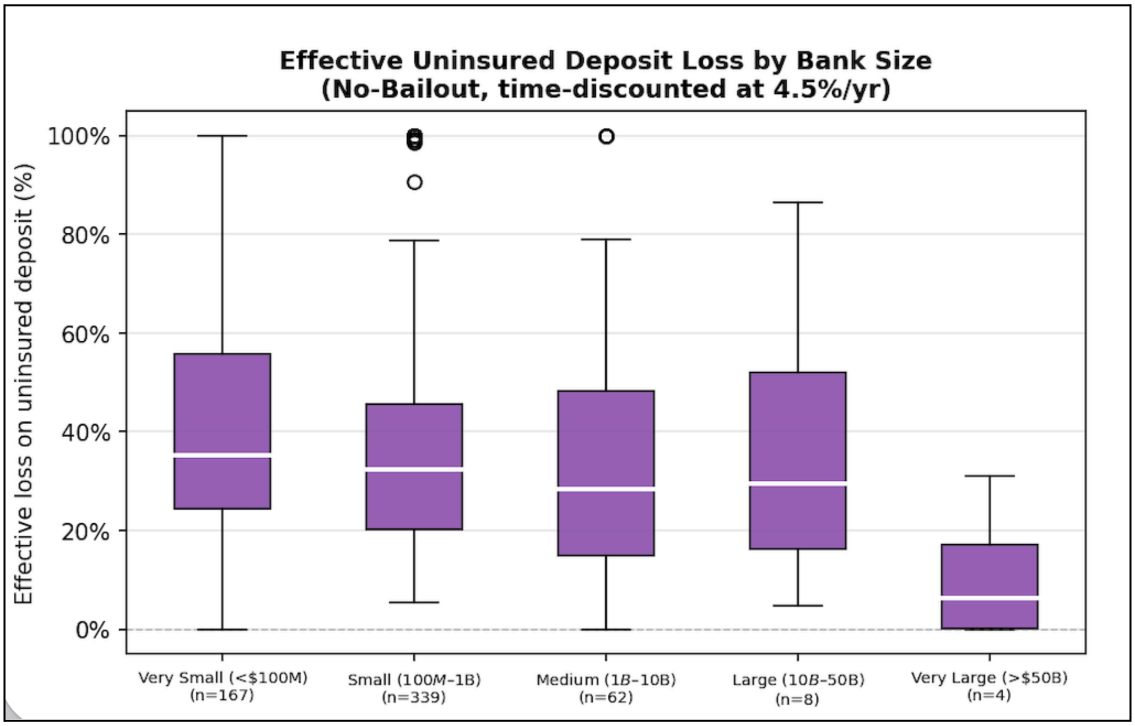

Figure 2. Effective uninsured deposit loss by bank size.[24]

Based on these historical losses, we estimate the maximum percentage of reserves that can be safely concentrated within a single institution. For purposes of this analysis, we assume that a PPSI could absorb losses of approximately 1% of its total reserves without compromising its ability to timely process redemptions. Changing this assumption would result in a correlated change in concentration limits for uninsured deposits for a PPSI.

Assuming that the 10% of reserves earmarked for daily liquidity — the safe harbor's first requirement — are held entirely within the banking system, Figure 3 shows that maintaining a risk profile in line with that assumed, where potential losses do not exceed 1% of total reserves, requires that no more than 1.0%–1.5% of assets should be held at a bank that is the largest bucket of banks (*i.e.*, very large). For the very large banks, concentration of up to 3%–4% of reserves would be safe.

[24] The figure presents box plots of the effective loss on uninsured deposits, categorized by bank asset size. Each box represents the interquartile range ("**IQR**"), spanning from the first quartile ("**Q1**") to the third quartile ("**Q3**") of losses. The median value is indicated by the white line within the box. The whiskers extend to the furthest data points within 1.5 of the IQR from the edges of the box, with any points beyond this range identified as outliers.

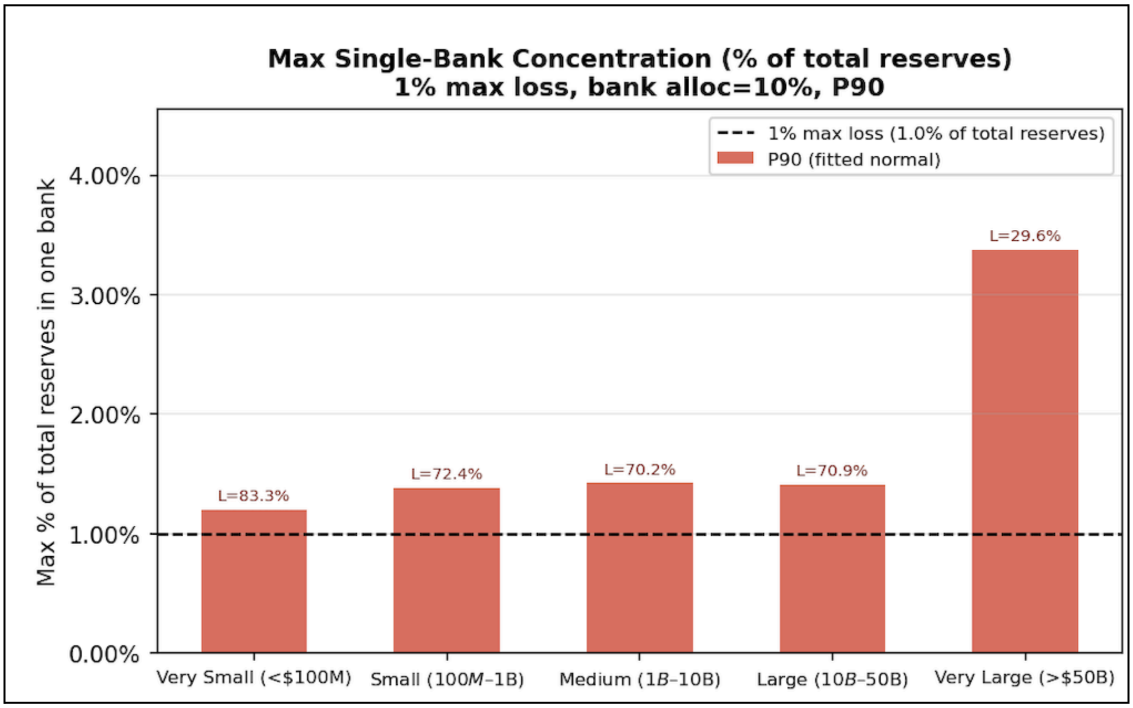

Figure 3. Max Single-Bank Concentration

The differential treatment for very large banks is consistent with the too-big-to-fail doctrine that G-SIBs carry meaningfully lower failure risk than non-G-SIB banks and, therefore, merits a tiered sub-limit for uninsured reserves (*e.g.*,. 4% or 40% of the daily liquidity amount), while a lower level is merited for smaller banks (of 1% of reserves or 10% of the daily liquidity amount). This tiered framework is simultaneously more protective against genuine systemic risk, better tailored to actual risk profiles as required by the GENIUS Act, and more consistent with the empirical lessons of the SVB episode than a uniform 50% threshold that provides only the appearance of protection.

Proposed Part 15.11(d) — Insured Deposit Requirement

Recommendation: The OCC should not adopt the proposed requirement that a PPSI with an OIV of $25B or more maintain at least 0.5% of reserve assets as insured deposits. Any additional benefit is at most *de minimis* while creating operational risks for a PPSI.

Most fundamentally, the insured deposit requirement has no basis in the GENIUS Act. The Act authorizes the OCC to establish safety and soundness standards tailored to the business model and risk profile of PPSIs.[25] It does not mandate, authorize, or even

[25] 12 U.S.C. § 5903(a)(4).

contemplate the use of stablecoin reserve requirements as a mechanism for directing deposit flows toward community banks or supporting small depository institutions, particularly when doing so reduces resiliency and increases operational risks for the PPSI. The GENIUS Act empowers community banks to participate and compete in the stablecoin ecosystem on the same terms as other PPSIs and banks. The absence of any special treatment in the Act reflects a deliberate legislative choice to limit GENIUS's scope to payment stablecoin safety and soundness. GENIUS does not contemplate such a requirement and, indeed, such a requirement would create operational inefficiencies by exposing a PPSI to operational risks and its reserves to unnecessary and correlated risk.

GENIUS authorizes regulations implementing capital requirements, specific types of liquidity requirements, "reserve asset diversification, including deposit concentration at banking institutions, and interest rate risk management statements," and "appropriate operational, compliance, and information technology risk management principles-based requirements and standards."[26]

A requirement for a PPSI to have a specified amount of its reserves in uninsured deposits pertains to none of these. Adopting this requirement would be inconsistent with § 5(g) of GENIUS, which prohibits the imposition of requirements in implementing regulations that are not specifically required by Section 4 of GENIUS.

Instead, the OCC supports the proposed requirement on the basis that a PPSI "having some minimum amount of insured deposits or shares will provide an additional measure of security for reserve assets and can promote market and holder confidence about the integrity of reserve assets."

Even if this requirement was consistent with the statute — which it is not — the justification fails both as a risk management matter and as a practical operational proposition. From a risk management perspective, a requirement capped at 0.5% of reserves or $500 million at most regardless of issuance size is so small relative to total reserves of a PPSI with reasonable operations that it cannot meaningfully contribute to the safety and soundness of PPSI or assuage run risk by comforting payment stablecoin holders.

More importantly, any benefit from an insured deposit backstop is far outweighed by the operational cost of executing the requirement. Federal Deposit Insurance Corporation ("**FDIC**") deposit insurance covers only $250,000 per depositor per institution, requiring a PPSI with $100 billion of OIV, and thus of reserve assets, would need to spread deposits across 2,000 separate insured accounts at 2,000 different banks.

[26] 12 U.S.C. § 5903(a)(4)(A)(iii)-(iv).

While sweep networks could in theory facilitate compliance, they introduce their own complications: sweep network providers typically charge fees that reduce reserve yields, add an additional layer of operational complexity and counterparty dependency, and do not eliminate the underlying correlated risk of regional bank failure since the participating banks in most sweep networks are drawn from the same universe of regional and community institutions that demonstrated simultaneous fragility during the March 2023 banking crisis. Whether through direct placement or sweep networks, the operational burden of achieving meaningful deposit insurance coverage at scale is disproportionate to the negligible safety benefit of protecting at most 0.5% of total reserves. Furthermore, this operational burden falls disproportionately on smaller issuers who lack the scale to absorb it efficiently, creating a competitive disadvantage that is inconsistent with the GENIUS Act's goal of promoting innovation in the payment stablecoin market.

Managing hundreds of banking relationships, each capped at $250,000, requires substantial administrative infrastructure, increases reconciliation and compliance costs, and diverts management attention from core reserve management functions all without delivering any meaningful safety benefit to stablecoin holders. OCC recognizes this "additional operational risk," but asserts that it must be balanced against the "additional security" offered by "spreading deposits around a broad range of depository institutions." Because that additional security is at most *de minimis*, the OCC has no basis for imposing the very real operational risks the agency itself recognizes.

Questions 50 and 80 – Overcollateralized reverse repos

Recommendation: The OCC <u>should not</u> prescribe a minimum haircut level. Instead, the OCC should require that reverse repos used as reserve assets be appropriately overcollateralized and retain the GENIUS standard of "overcollateralization in line with standard market terms" and enforce it through supervision.

Proposed Part 15.11(b) lists the permitted types of PPSI reserve assets, including reverse repo agreements, with the PPSI acting as a purchaser of securities with no longer than overnight maturity, that are collateralized by T-bills, Treasury notes, or Treasury bonds with no longer than overnight basis, subject to overcollateralization in line with standard market terms, that are: tri-party; centrally cleared through a clearing agency registered with the Securities and Exchange Commission ("**SEC**"); or bilateral with a counterparty that the issuer has determined to be adequately creditworthy even in the event of severe market stress.

We support the requirement that reverse repo agreements used as reserve assets be "appropriately overcollateralized," but there is no need for the final rule to prescribe a minimum haircut, *e.g.*, 0.5 percent, as proposed by Question 80. For very short-dated Treasury collateral in tri-party or centrally-cleared structures, haircuts are already set conservatively by market practice and clearing agencies, and GENIUS issuers have strong incentives to maintain risk-sensitive margins given their need for full liquidity and the statutory limits on rehypothecation. Locking a specific haircut floor into regulation risks becoming misaligned with evolving market standards, repo market conditions, and central clearing practices, and could unintentionally depress reserve yields without a clear prudential benefit.

Instead, the OCC should retain the "overcollateralization in line with standard market terms" language from GENIUS § 4(a)(1)(A)(v) and rely on supervision and examinations to ensure that PPSIs are not under-margining these positions. The OCC should retain the language from GENIUS, which indicates agencies should rely on supervision and examinations, as opposed to creating a new standard that is not prescribed in the statutory text.

Question 84 – Special requirements for subsidiaries of banks

Recommendation: The OCC should not impose PPSI-specific governance or staffing mandates on issuers that are bank subsidiaries. Issuers should be able to decide whether to manage liquidity and reserves with dedicated PPSI personnel or to leverage centralized group treasury and risk functions, so long as GENIUS standards are met.

The proposal asks whether a PPSI that is the subsidiary of a bank should have reserve assets appropriately maintained under control of the larger corporate structure, or if there should be personnel who have independent control over liquidity management of the PPSI.

GENIUS already addresses these issues at the right level of generality and directs the primary Federal payment stablecoin regulators to set capital, liquidity, and risk-management standards that are tailored to a PPSI's narrow business model and risk profile, regardless of whether the issuer sits inside a bank group. Those statutory requirements are sufficient to protect stablecoin holders without layering on additional, PPSI-specific governance or staffing mandates for PPSIs that are bank subsidiaries.

In practice, some issuers may choose to maintain a dedicated team for liquidity and reserve management at the PPSI level, while others may more efficiently leverage centralized treasury and risk expertise across their corporate group — a common and well-understood construct across financial services. The OCC should therefore not foreclose this flexibility by hard-wiring a one-size-fits-all "independent personnel" requirement for bank-subsidiary PPSIs.

Question 86 – Measures to address secondary market de-pegging

Recommendation: The OCC <u>should not</u> treat secondary market price moves above or below par as "de-pegging" or as automatic triggers for issuance bans. While market prices should be treated as a supervisory signal alongside other indicators, the OCC should focus its supervisory interventions on evidence of reserve or operational failures rather than market dynamics.

The OCC asks whether the rule should include additional measures to address de-pegging in the secondary market. We strongly urge the OCC not to treat secondary market trading above or below par as "depegging" or as a trigger for automatic issuance bans.

Even for a well-regulated, GENIUS-compliant stablecoin backed 1:1 by high-quality liquid assets with at par redemption, secondary market prices will inevitably reflect a mix of factors unrelated to the intrinsic value of the reserves, including transient supply-demand imbalances, venue fragmentation, and liquidity conditions. Temporary and relatively small price deviations in secondary markets will be healthy reflections of normal price dynamics — not evidence of reserve or solvency failure.

Instead of seeking to establish strict thresholds for defining a de-peg event and subsequent mandated intervention, the OCC should remain focused on the primary determinant of a payment stablecoin's peg: whether holders can reliably redeem at par from the issuer. Ensuring this through strict reserve asset, segregation, and redemption standards is the ultimate and more important purpose of GENIUS.

More appropriately, the OCC should treat market prices as one important supervisory signal, and not as a presumptive sign of PPSI stress or as "de-pegging." Accordingly, instead of hard-coding issuance stoppages when market prices cross an arbitrary threshold (*e.g.*, $0.99) for a set period, the OCC should focus on enhanced reporting and supervisory engagement when market prices or other indicators suggest potential stress. Formal restrictions should be limited to situations where there is clear evidence of reserve deficiencies or operational failures, and not triggered by market dynamics that could be unrelated to the intrinsic value of the reserve assets.

Question 90 – Reporting for white label and multi-brand issuers

Recommendation: The OCC should allow white label and multi-brand structures without imposing structural constraints that would make either of these models uneconomic. Issuers should be required to legally segregate reserves for each brand and to provide brand-level composition and flow reporting and clear role disclosures.

The proposal asks what modification to reporting requirements would be appropriate for arrangements where one issuer issues multiple stablecoins under different brands, including white label arrangements. These types of arrangements are extremely common in financial services broadly speaking, and are similarly commonplace in stablecoins.[27] The types of concerns the OCC raises can be easily addressed through regulatory measures similar to those in place in many other analogous situations. There is no meaningful basis on which to view properly regulated white label arrangements as somehow riskier than single-brand models.

Indeed, white label solutions are an important way for enterprises to offer differentiated user experiences, build loyalty, and expand stablecoin-based payments while still centralizing prudential risk management in the regulated PPSI. The OCC's final reporting regime for these arrangements should therefore not create structural constraints that would prevent white labels from being economically viable.

The OCC should focus any regulation of white label arrangements narrowly on the risks they may pose: avoiding consumer confusion in branding and ensuring reserve assets for each branded stablecoin is maintained to back only that stablecoin. Issuers should be required to legally segregate reserve assets for each brand of stablecoin they issue — for example, through bankruptcy remote vehicles, trust or legally segregated accounts, or clear contractual segregation — and explain in disclosures how this is accomplished.

Composition and reserve reports should clearly disaggregate each brand's reserves, liabilities, and primary market flows, while also providing an aggregate view where reserves are managed on a pooled basis. Issuers should explain how reserves are legally and, if so, operationally segregated for each brand. Reports should also describe the respective roles of the issuer, white label partner, and any DASP distributors in minting, redemption, reserve management, and customer communications so that neither customers nor supervisors are misled about which entity stands behind redemption requirements.

[27] *See, e.g.*, Consumer Fin. Prot. Bureau, *The Consumer Credit Card Market* at 9 (Oct. 2023) https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2023.pdf (underscoring the prevalence of loyalty and white label arrangements in the payments contact) ("Hundreds of millions of U.S. consumers are enrolled in loyalty programs at large merchants, and almost 74 million of those consumers also accrue rewards at those companies by using cobranded credit cards"); *see also*, Kraken, *What Is Tether? (USDT)* (Feb. 1, 2023), https://www.kraken.com/learn/what-is-tether-usdt (demonstrating that a single issuer operating multiple, distinct stablecoins is standard practice) ("Today, Tether supports four stablecoins: the U.S. dollar (USDT), the Chinese Yuan (CNHT) and the Euro (EURT), as well as a stablecoin backed by 1 oz. of gold (XAUT)").

Question 92 – Reporting custody locations for tokenized reserves

> **Recommendation**: For tokenized reserves, the OCC should require PPSIs to disclose both the onchain custody location of the tokenized instrument and the custody of any underlying real world asset, while avoiding overly-granular fields and allowing for flexibility as custody technologies evolve.

The proposal asks whether PPSIs should be required to disclose the location of custody of both the reserve instrument in tokenized form on a ledger and any real-world asset that the reserve in tokenized form represents for the purposes of the composition report. For tokenized reserves, we support requiring issuers to disclose both the onchain custody location of the tokenized instrument and the custody of the underlying real world asset, if there is any. This can ensure that supervisors and the public understand the full custody picture for reserve assets.

Transparency is particularly important where tokenized reserves are held with different custodians than the underlying securities or deposits, as it may affect how quickly assets can be monetized under stress and how insolvency protections apply. At the same time, the OCC should avoid overly-specific reporting fields that add operational burden without clear value and should recognize that underlying custody technologies are rapidly evolving, so issuers should have some flexibility in how they meet reporting requirements.

Question 93 – Timing and frequency of reserve reporting

> **Recommendation**: The OCC should anchor reserve composition reports to a clear month-end snapshot rather than real-time rolling updates. The OCC should allow — but not mandate — more frequent publication of high-level metrics, such as total outstanding issuance and aggregate reserves, if issuers choose to provide them.

The OCC seeks to clarify the values, information, and timing of PPSIs' monthly reports. The OCC should anchor the reserve composition report to a clear end-of-month date and time rather than requiring rolling, real-time updates for all data fields. Turning the composition report into a real-time feed would add substantial operational and assurance costs, and would not serve a primary supervisory purpose. To the contrary, real-time feeds would necessarily be noisy, constantly-changing numbers that may be hard for users to interpret, and in the event of an inadvertent operational feed error, could manifest in adverse secondary market price dynamics.

It would be far more appropriate for any published reserve numbers to be appropriately reviewed in advance of publication. GENIUS's disclosure regime is designed around reliable, auditable snapshots of reserves and outstanding issuance. Accordingly, a better approach is to: (i) require standardized, audited month-end composition reports as the primary disclosure; and (ii) permit — but not mandate — more frequent publication of a narrow set of high-level indicators, such as total outstanding issuance and aggregate reserves, on issuers' websites, clearly labeled as "unaudited" or "estimated" where appropriate. This would give supervisors and the market timely visibility into issuer health without sacrificing the clarity that GENIUS was designed to deliver.

Question 172 – Single-brand issuance and white label structures

Recommendation: The OCC should explicitly permit multi-brand and white label issuance by a single PPSI, require legal segregation of reserves and brand-level disclosures, and allow already-approved PPSIs to add new brands without separate OCC approval or duplicative issuance structures.

The OCC asks whether it should require that a PPSI or a foreign issuer be allowed to only issue a single type (*i.e.*, "brand") of payment stablecoin per proposed Parts 15.30 and 15.32.

The OCC is not authorized to adopt a categorical "one-brand-per-issuer" requirement for PPSIs and foreign issuers, and doing so serves no meaningful regulatory purpose. Limiting the types of permissible business models issuers can engage in, before permitted payment stablecoins can scale, contravenes GENIUS's purpose to onshore and promote the use of payment stablecoins. GENIUS contemplates issuer frameworks that can support white label, co-branded, and multi-brand arrangements.

Moreover, as stated previously, GENIUS § 5(g) makes that limitation explicit by providing that the Federal payment stablecoin regulators, including the OCC, "may not impose requirements in addition to the requirements specified under section 4," and a categorical one-brand-per-issuer rule would be exactly such an additional, extra-statutory requirement.

The prudential question, therefore, is not how many brands an issuer supports, but whether each brand's liabilities are tied to a clearly segregated reserve pool with transparent, enforceable redemption rights.

A single brand mandate would add cost and fragility without improving protection for permitted payment stablecoin holders. Splitting every brand into a separate legal entity multiplies fixed compliance and governance overhead, complicates supervision and resolution, and raises barriers to entry, especially for white label and consortium models. And, it serves no regulatory purpose because the risks arising from these arrangements can be addressed by straightforward measures employed across financial services. A well-capitalized issuer operating multiple segregated reserve pools can deliver stronger risk management and a clearer supervisory picture than a patchwork of thinly capitalized single-brand issuers.

Accordingly, the OCC should make clear that a single PPSI may support multiple brands and white label arrangements under one license and one core issuance framework, without needing separate approvals or bespoke issuance structures for each new brand. Distinct white label stablecoins issued by one PPSI should be treated as an extension of the PPSI, so long as reserves for each brand are legally segregated, transparently disclosed, and subject to the same controls. Requiring standalone entities and approvals for every white label partner would be cost-prohibitive, would undermine GENIUS's goal of scalable, competitive stablecoin issuance, and would not deliver any incremental prudential benefit compared to a multi-brand PPSI with strong segregation and disclosure standards.

1.3 – Capital

Questions 182 and 183 – Capital requirements based on specific risks and assets held in custody

Recommendation: Consistent with GENIUS, the OCC should adopt tailored, risk-based capital requirements for PPSIs. The total capital requirement should be the sum of:

- a credit risk buffer based on Basel III risk weights applied to bank deposits;
- an operational integrity buffer to cover theft and minting contingencies based on a 1-in-100-year VaR; and
- a resiliency buffer equal to 12 months of projected operating expenses. This framework ensures capital is deployed in a manner closely tailored to the risks a PPSI will actually face.

The Dual Mandate of Capital Buffers

The OCC asks if it should adopt a capital requirement based on price risk, credit risk, operational risk, or interest rate risk.

Capital requirements are structural safeguards designed to solve two distinct problems for a PPSI: solvency protection and operational resiliency. *Solvency protection* addresses balance sheet gaps, which are events that deplete the value of reserve assets required to be held by a PPSI or that create a discrepancy between OIV and the amount of reserve assets, such as asset mismanagement or fraud.[28] *Operational resiliency* addresses service gaps, which are events that do not necessarily affect reserve assets but threaten the issuer's ability to operate, such as technical downtime and operational failures due to minting and burning errors.

Capital requirements that address these two categories of risks will create a buffer that is appropriately tailored to the PPSI business and can perform the important work of improving operational resilience and staving off insolvency.

Analysis of Potential Holder Losses and Solvency Protection

The primary objective of the solvency protection buffer is to protect the ability of a PPSI to meet its obligation to redeem the permitted payment stablecoins it issues at par upon demand. While the GENIUS Act seeks to minimize this risk by restricting eligible reserve assets to low-risk, liquid instruments, reserve losses can still occur through credit and counterparty events. And while government securities carry effectively zero credit risk, uninsured commercial bank deposits can otherwise represent a significant and binary counterparty risk if held in large amounts as part of a PPSI's reserves.

We therefore recommend that the OCC adopt a risk-weighted approach consistent with the Basel III standardized approach for uninsured bank deposits, risk-weighting them according to the counterparty's creditworthiness ranging from 20% to 150%.[29]

The statute's 93-day maximum maturity for Treasuries and the proposal's 20-day weighted average maturity for the overall portfolio effectively neutralize the PPSI's market and interest rate risks. Mathematically, the price sensitivity of a 20-day portfolio to interest rate spikes would not materially affect the PPSI's holdings. Because the assets mature so quickly, even a sharp, sudden increase in interest rates would translate into only very small, short-lived mark-to-market losses that are naturally eliminated as the securities quickly reach maturity. And, because a PPSI is likely in the ordinary course to hold reserve assets to maturity in a short-dated ladder, unrealized losses automatically resolve within days. Therefore, no capital charges should be applied for market or interest rate risks.

---

[28] Central to this framework are the GENIUS Act's strict segregation of reserve assets and that reserve assets are not part of the PPSI's bankruptcy estate, but instead are to be distributed to holders upon resolution or bankruptcy of the PPSI. This ensures that the reserves are legally isolated from the issuer's corporate liabilities, such as legal penalties, civil litigation, or administrative fines. Because these entity-level risks cannot legally impair the 1:1 reserves, they are excluded from our solvency protection analysis and are instead absorbed by general corporate equity.

[29] *See generally*, Basel Committee on Banking Supervision, *Basel III: Finalising post-crisis reforms* (Dec. 2017), https://www.bis.org/bcbs/publ/d424.pdf.

For solvency considerations arising from operational integrity problems, such as fraud or reconciliation gaps, that would result in discrepancies between OIV and reserve assets, we propose a quantitative bottom-up operational risk modeling framework.

This approach begins with identifying specific threat vectors and utilizing historical industry data alongside structured expert interviews to estimate potential loss impacts for specific frequency scenarios, including 1-in-5, 1-in-20, and 1-in-30 year events. Using these data points, a PPSI should apply extreme value theory to extrapolate the tail risk of a 1-in-100-year event. This process must account for event correlation, recognizing that a successful hack often coincides with a failure in monitoring systems.

This analysis should strictly exclude legal liabilities, regulatory fines, and civil litigation costs. Because corporate liabilities are legally isolated from the reserves, they are absorbed by the issuer's general corporate equity rather than the reserves themselves. Including these risks in a solvency-focused capital charge would ignore the structural protections already provided by GENIUS and create a redundant capital burden. We propose that the solvency protection buffer be set equal to the 1-in-100-year Value-at-Risk ("**VaR**") of direct reserve-impacting events only, ensuring the buffer is scientifically calibrated to protect the 1:1 backing against extreme failures.

Operational Continuity and Entity Resiliency

In addition to the immediate protection of reserve assets coverage for payment stablecoin redemptions, capital buffers serve the purpose of ensuring the continuous operation of the issuer's critical infrastructure. Operational resiliency requires that an issuer remains functional even during periods of extreme financial or technical stress.

Resiliency buffers also mitigate the liquidity loss associated with network unavailability or banking interface errors. While these events do not deplete reserves, they prevent payment stablecoin holders from redeeming with the PPSI. A robust resiliency fund allows the PPSI to maintain redundant technical interfaces and fund recovery efforts without tapping into the assets meant for token holders.

We agree that the proposed 12-month operating expense requirement is an adequate and necessary floor. This runway ensures that if an issuer faces a sudden loss of revenue or a technical glitch, they have the financial resources to keep the software, security protocols, and human capital required to continue processing redemptions. This prevents a liquidity freeze where a solvent issuer becomes operationally paralyzed, which would otherwise force a discount in the secondary market price of the stablecoin.

Question 187 – Alignment with foreign capital regimes

Recommendation: The OCC should broadly align PPSI capital requirements with major non-U.S. regimes on structure and intensity to avoid disadvantaging U.S. issuers or undercutting global safeguards. The OCC should not copy weaker foreign frameworks, and should instead focus on proportionate, risk-based standards.

The OCC asks if there are any advantages or disadvantages to setting capital requirements for PPSIs consistent with or different from those set by non-U.S. regulators.

Capital for PPSIs should not be developed in isolation, and, as we described above, should maintain consistency with established approaches to risk management, similar to how the U.S. has historically treated bank capital. There is also an advantage to broadly aligning with major non-U.S. regimes on the basic structure and intensity of capital for PPSIs so that reputable firms are not penalized for choosing the United States as their home jurisdiction and cross-border activity is not pushed into the least demanding regime.

At the same time, coordination should not mean copying foreign frameworks that are either materially weaker or calibrated to very different institutional settings. The OCC should aim to set a proportionate, risk-based capital standard informed by peer jurisdictions so that U.S. rules neither undercut global safeguards nor leave U.S.-regulated PPSIs are structurally disadvantaged in international markets.

Other Comments on Capital

Recommendation: The OCC should extend the capital treatment for banks and bank holding companies under its proposed 3.22 to national trust banks that have PPSI subsidiaries.

The GENIUS Act contemplates several structures in which the subsidiary of a bank or bank holding company is a PPSI. In those cases, § 4(a)(4)(C)(iii) of the GENIUS Act and proposed Part 3.22 provide that a bank or holding company that consolidates financials with a PPSI does not need to hold regulatory capital with respect to the PPSI in addition to what the PPSI must hold under GENIUS capital rules. While this provision does not specifically identify national trust banks as covered by this provision, they should have the same treatment available to them for the same structure. Without such treatment, national trust banks would be disadvantaged, creating market distortion without any regulator or supervisory benefit. The OCC should therefore extend proposed part 3.22 to national trust banks to account for a PPSI subsidiary of a national trust bank.

1.4 – Redemption

Questions 100 and 102 – Definition of "timely" redemption and redemption in periods of stress

Recommendation: The OCC should adopt T+2 as a reasonable maximum redemption time. This will provide PPSIs the time they need to manage operational constraints for redemptions while giving the market confidence that at par redemption requests will be met in a timely manner.

The OCC should not adopt the proposed T+7 redemption slowdown in Part 15.11(c). The proposal would have serious, negative effects on the market perception of payment stablecoins as good money, contrary to the purpose of GENIUS. The OCC instead should adopt the FDIC's approach in its proposed Section 350.5(c), which provides a PPSI discretion to request an extension of the redemption timeframe in times of extreme stress.

The proposal asks what the definition of "timely" redemption should be for regular business and times of stress.

Defining "timely" redemption as not exceeding two business days for non-stress periods strikes a reasonable balance between user expectations for near-instant settlement and the practical realities of monetizing high-quality liquid assets in different market conditions. For many issuers and distribution channels, redemptions will often be completed much faster in normal times, but a clear outer bound gives both customers and supervisors a shared standard while leaving room for firms to compete on speed and user experience.

The proposed T+7 redemption slowdown in Part 15.11(c), however, should not be adopted. The provision would require a PPSI's redemption policy to provide that, if the PPSI faces redemption demands in excess of 10% of outstanding issuance volume in 24 hours, it must immediately extend its redemption timing from no longer than T+2 to T+7.

This requirement would have serious, negative consequences for the fundamental value of payment stablecoins as good money and would unintentionally create additional run risk for PPSIs. We believe this approach is inconsistent with, and harmful to, the core purpose of GENIUS — to make payment stablecoins sound, transactional money.

At par redemptions against the PPSI on demand is a fundamental feature for payment stablecoins' ability to function as good money. Making timely redemptions is necessary for payment stablecoins to maintain their par value in the market. This is the practice today: stablecoin issuers seek to minimize redemption times to the extent operationally possible, because doing so both helps to maintain the market peg of the stablecoin at par and — of fundamental importance — supports the acceptance of stablecoins at par for payments.

Requiring an immediate move from T+2 to T+7 redemptions, even if a PPSI can redeem in shorter time frames, violates this objective and risks rendering permitted payment stablecoins as inferior money. Even the possibility of T+7 redemptions, particularly under an automatic trigger at the low threshold of 10% OIV redemptions, creates meaningful uncertainty about the operation of this mechanism and thus the quality of stablecoins as good money.

Indeed, the provision unintentionally creates new run risk. As history has shown, as recently as 2020 during the COVID-19 crisis, the imposition of liquidity fees and gates can accelerate redemptions during periods of stress.[30] Establishing a specific slowdown threshold would give rational payment stablecoin holders a clear target to redeem in advance of reaching if they believe there is even a possibility of a T+7 redemption slowdown (again, whether or not the PPSI actually instates the slowdown). This creates meaningful new run risk well before a PPSI should face liquidity or fire sale risk.

Moreover, the payment stablecoins would continue to trade in the secondary market, potentially increasingly away from par value because of the slow redemption mechanic. This dynamic means that users will not have confidence in the value of payment stablecoins *ex ante*. Simply put, market participants, acting entirely rationally, will simply not want to use payment stablecoins where there is meaningful ongoing uncertainty in PSSI redemption timing.

The provision is also unnecessary for a well-regulated PPSI, particularly at a drastically early trigger of 10% OIV. Unlike depository institutions, the fundamental design of a PPSI — with its constrained permitted reserve assets, limited activities, prudential regulation, and tailored capital and liquidity requirements — should allow it to meet, in the normal course, redemption requests of far greater than 10% without disruption to its operations. The 10% is arbitrary and, indeed, could represent normal course flows, in particular by payment stablecoins used by institutions who may mint and burn in large amounts.

[30] Investment Company Institute, *ICI: Prime Money Market Funds Didn't Trigger Financial Turmoil in March* (Nov. 5, 2020), https://www.ici.org/news-release/20_news_covidrpt3.

As contemplated by the GENIUS,[31] and permitted by recent action by the Commodity Futures Trading Commission ("**CFTC**"),[32] payment stablecoins issued by a PPSI may be used as cash or as a cash equivalent margin and collateral accepted by CFTC-registered futures commission merchants ("**FCMs**"), swap dealers and derivative clearing organizations, and SEC-registered broker-dealers and clearing agencies. The proposed automatic T+7 redemption slowdown would stifle the adoption of PPSI-issued payment stablecoins as margin and collateral by these regulated entities and their customers. Certainty regarding redemption timeliness is imperative to the integration of payment stablecoins into the derivatives and securities markets, and is consistent with the purpose of GENIUS to make payment stablecoins good money. FCMs alone facilitate hundreds of billions of dollars of customer margin,[33] and an automatic T+7 redemption slowdown could have disastrous consequences for these market participants.

Instead, the OCC should adopt the FDIC's approach in proposed 12 CFR § 350.5(c), under which a PPSI experiencing excessive demands *may* request an extension from the FDIC. The FDIC in its discretion may then grant or deny this request, or grant a different amount of time than the one requested.[34] This approach would avoid the problems with the OCC's automatic minimum extension discussed above, reserving the decision of whether to request an extension, and for how long, to the entity closest to the facts on the ground about a PPSI's liquidity, business, and overall risk profile — the PPSI itself.

Question 103 – Definition of "redemption"

Recommendation: The OCC <u>should not</u> create a new, elaborate definition of "redemption," but should clarify that a PPSI satisfies its redemption obligation when it irrevocably initiates payment in fiat currency (or another agreed medium of exchange) to the holder or their custodian in exchange for the payment stablecoins.

The proposal asks if it should define "redemption" for the purposes of the final rule, and if so, whether it should be interpreted broadly or narrowly.

The OCC should not attempt to define "redemption," as the term is clear as used in GENIUS and longstanding stablecoin market practice. For purposes of Part 15.12, it is sufficient to state that a PPSI satisfies its redemption obligation when it irrevocably initiates payment in fiat currency (or another agreed medium of exchange) to the holder

---

[31] 12 U.S.C. § 5902(g)(2).
[32] CFTC No-Action Letter 26-05, Feb. 06, 2026, https://www.cftc.gov/PressRoom/PressReleases/9180-26
[33] Market Risk Advisory Committee Report, Data and Analysis Regarding FCM Capacity Trends, April 9, 2024.
[34] *See* GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions, 91 Fed. Reg. 18534, 18546 (Apr. 10, 2026).

(or their custodian) in exchange for the payment stablecoin, even if final settlement across correspondent networks occurs later in systems outside the issuer's control.

1.5 – Definitions

Questions 6 and 7 – Definitions of "digital asset" and "digital asset service provider"

> **Recommendation:** The OCC should clarify that the definition of "digital asset service provider" does not include a person that merely provides self-custodial software or protocol infrastructure or otherwise does not have "total independent control" over customer funds or assets, to align with existing FinCEN guidance that addresses the same topic.

GENIUS defines the term "digital asset" to mean "any digital representation of value that is recorded on a cryptographically secured distributed ledger."[35] "Digital asset service provider" ("**DASP**") is defined 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...exchanging digital assets for monetary value; exchanging digital assets for other digital assets; transferring digital assets to a third party; acting as a digital asset custodian; or participating in financial services relating to digital asset issuance."[36] A DASP 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.[37]

The OCC has asked whether the statutory definition of "digital asset service provider" requires clarification. Although the statute's text is unambiguous, the OCC should underscore that the meaning of "digital asset service provider" does not include a person that merely provides self-custodial software or protocol infrastructure or otherwise does not have "total independent control" over customer funds or assets. This would make clear that this definition is to be interpreted consistently with FinCEN guidance in a related context. In that guidance, FinCEN made clear its view that a person would be viewed as providing a regulated custody service when it has "total independent control" over customer funds or value.[38]

---

[35] 12 U.S.C. § 5901(6).
[36] 12 U.S.C. § 5901(7)(A).
[37] 12 U.S.C. § 5901(7)(B).
[38] *See generally*, Financial Crimes Enforcement Network, FinCEN Guidance, FIN-2019-G001, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies* (May 9, 2019),

GENIUS cements this understanding by excluding from the definition of DASP: distributed ledger protocols; self-custodial wallet interfaces; validators; immutable front-ends; and participation in liquidity pools used to provision liquidity for peer-to-peer transactions. Accordingly, the OCC should expressly adopt the "total independent control" standard. Doing so would faithfully implement the statutory text, maintain the approach broadly applied today in the market based upon FinCEN's guidance, keep the DASP perimeter well-defined, prevent scope-creep, and ensure that GENIUS remains appropriately focused on the intermediaries that handle customer funds and present intermediary-type risks.

The proposed rule also asks whether the statutory definition of "digital asset" is sufficiently clear. GENIUS defines a "digital asset" as "any digital representation of value that is recorded on a cryptographically secured distributed ledger." That definition does not cover non-fungible loyalty points, to the extent they are not "recorded on a cryptographically secured distributed ledger." It also excludes purely informational tokens and smart contract code that merely facilitates user-directed transfers because the statutory definition includes only digital representations "of value." The term "value" does not sweep in software, blockchain protocols, or data services that do not have the characteristics of payment instruments, investments, or other financial assets. The OCC should also expressly endorse that interpretation.

Question 23 – Definition of "trading volume" and "exchange"

Recommendation: The OCC should define "trading volume" as the aggregate number of a PPSI's payment stablecoins bought or sold on DASP-operated centralized exchanges, and avoid a new GENIUS-specific "exchange" definition that sweeps in peer-to-peer or DeFi activity.

The OCC proposes to define the term "trading volume" to mean the aggregate number of payment stablecoins issued by a PPSI that were purchased or sold on exchanges during a specified period of time.

While we generally agree with this definition, the OCC should explain that "trading volume" should mean the aggregate number of a PPSI's payment stablecoins purchased or sold on DASP-operated centralized exchanges over a specified period, where intermediaries maintain auditable records and can provide consistent data. It should not require PPSIs to estimate or reconstruct peer-to-peer activity, DeFi usage, or other non-intermediated transfers that fall outside the DASP perimeter and are not practically reportable at issuer level.

---

https://www.fincen.gov/system/files/2019-05/FinCEN%20Guidance%20CVC%20FINAL%20508.pdf

The OCC should also refrain from crafting a new, GENIUS-specific definition of "exchange" for purposes of defining "trading volume." Any reference to exchanges in a trading volume definition should instead remain anchored in existing law and, critically, in GENIUS's own DASP perimeter, which already excludes distributed ledger protocols, immutable self-custodial interfaces, and participation in liquidity pools used to provision liquidity for peer-to-peer transactions. Decentralized protocols and decentralized exchanges should therefore remain outside GENIUS's scope so long as they do not perform custodial or intermediary functions.

1.6 – Custody

Question 161 – Hardware/software carve-out for self-custody

Recommendation: The OCC should reaffirm that providers of non-custodial wallets, hardware devices, protocol front-ends, and similar tools where users retain "total independent control" over keys and assets remain outside the custodial regime, with custody requirements applying only where an entity can exercise "total independent control" over customer funds.

The OCC proposes to clarify that it would not consider certain activities to constitute "solely" providing hardware or software to facilitate custody or safekeeping of payment stablecoins or private keys.

The OCC should not narrow the carve-out for hardware and software beyond GENIUS's statutory text or add new anti-evasion language. As stated above, GENIUS deliberately excludes pure self-custody and neutral infrastructure from the custodial requirements because these functions do not involve intermediation or create balance-sheet risk for consumers.

The final rule should therefore:

- <u>Reaffirm the carve-out</u>: Providers of non-custodial wallets, hardware devices, protocol front-ends, and other tools where users retain "total independent control" — as contemplated in 2019 FinCEN guidance — over their keys and assets are "solely" providing hardware or software and remain outside the custodial regime. Ancillary features like UI/UX, analytics, tax tools, or transaction-construction assistance should not, on their own, convert neutral infrastructure into a custodian.
- <u>Focus on where there is "total independent control"</u>: OCC should clarify that an entity falls outside the carve-out only when it takes or can exercise "total independent control" over customer assets (*e.g.*, holds private keys and can control customer funds movements, operates omnibus accounts holding and controlling customer funds, or can move customer assets without fresh user consent). In those cases, custody requirements may apply.

- Allow ancillary services by OCC-supervised institutions: A PPSI should be able to provide services such as trade execution, settlement routing, recordkeeping, valuation, or tax reporting to users of self-custody tools without triggering full custody rules, so long as the institution never takes possession or discretionary control of the user's payment stablecoins or keys.

Question 155 – Custodial protections against custodian creditors

Recommendation: The OCC should implement custodial protections through clear outcome-based standards, including legal segregation of customer assets, explicit contractual documentation of ownership and priority, reliable books and records, and risk-based oversight of sub-custodians. The proposal's specific elements should be treated as non-exhaustive examples rather than a rigid checklist.

The OCC asks if the proposal provides enough detail regarding what steps are appropriate for a covered custodian to protect the covered assets of covered customers from the claims of creditors.

GENIUS § 10 indicates that Congress did not intend to give regulators plenary authority to prescribe rigid, comprehensive requirements for custodians. Section 10 refers only to rulemaking authority with respect to commingling, and sets forth a limited requirement for custodians to submit regulatory information to the agencies.[39] The proposal appropriately focuses on keeping "covered assets" outside the custodian's insolvency estate, but the rule should implement that goal through clear, outcome-based standards, not a rigid checklist, and should not exceed the scope of the statute.

Accordingly, the final rule should require a covered custodian to: (i) ensure that customer assets are legally segregated from the custodian's own property; (ii) document custody relationships in written agreements that make ownership and priority explicit; (iii) maintain books and records that reliably identify each customer's covered assets and that the assets are held in a fiduciary or custodial capacity; and (iv) conduct risk-based due diligence and ongoing monitoring of any sub-custodians.

Elements (A)-(D) in the proposal are useful examples of how to meet those outcomes and could be reflected in future guidance, but should not be hard-coded as exhaustive or one-size-fits-all regulatory requirements. A more flexible approach gives examiners a clear basis to test whether covered assets are protected from custodian creditors while allowing firms to leverage existing custody frameworks and to avoid an unnecessarily prescriptive regime for "covered" versus non-covered assets.

---

[39] *See generally*, 12 U.S.C. § 5909.

2. Areas that Require Clarification or Revision

This section addresses provisions of the proposed rule that are generally consistent with GENIUS but require clarification or revision to be implemented more effectively. We identify ambiguities, suggest alternative formulations, and recommend practical adjustments that would better achieve GENIUS's goals while providing a usable, scalable framework for PPSIs.

2.1 – Activities

Question 26 – Asset managers and separately-managed accounts

Recommendation: The OCC should clarify that a PPSI may retain an asset manager under a separately managed account and treat this as an activity that "directly supports" stablecoin issuance and reserve management. The OCC should also provide a non-exclusive list of additional examples of activities that "directly support" issuance to avoid case-by-case approvals.

The OCC asks whether it should clarify that a PPSI may retain an asset manager under a separately managed account under proposed Part 15.10(a)(8).

We support clarifying that a PPSI may retain an asset manager under a separately managed account structure. Properly-structured, separately managed accounts enhance diversification, access to short-term government securities, and professional risk management without compromising the simplicity and transparency of the full-reserve model, particularly for larger issuers with more complex liquidity profiles.

The OCC should consider going further and enumerate additional activities that "directly support" the permissible activities a PPSI may take under the statute.[40] Those activities include, but are not limited to: day-to-day treasury operations; technology and vendor relationships; customer support; and distribution and white label partnerships. Doing so would promote GENIUS's goal of creating a usable, scalable framework and avoid case-by-case line-drawing that could raise barriers to entry and favor incumbents with the resources to manage constant, bespoke approvals.

Question 33 – Non-payment stablecoin crypto-assets for fees

Recommendation: The OCC should permit PPSIs to hold limited amounts of non-payment stablecoin digital assets (*e.g.*, Ether or Bitcoin) to pay network and protocol fees needed to support customer transactions.

[40] 12 U.S.C. § 5903(a)(7).

The proposal would permit a PPSI to hold non-permitted payment stablecoin digital assets to pay for things like network fees, and asks whether there should be an express limitation on the amount of such assets.

We agree that PPSIs should be able to hold non-payment stablecoin digital assets, like Ether or Bitcoin, to pay network and protocol fees needed to support customer transactions. At this time, we do not see a need to prescribe a set standard beyond the limited authorization that is already articulated in proposed Part 15.10(a)(7) that a PPSI can only "pay fees to facilitate customer transactions." In analogous contexts, the OCC has taken a more flexible and open-ended approach to limits on paying permissible gas fees.[41] Therefore, there is no current need for the OCC to depart from this standard.

Questions 42 and 43 – Disclosures and marketing

Recommendation: The OCC should require clear, standardized disclosures — ideally delivered in web-native formats — that payment stablecoins are not legal tender, not issued or guaranteed by the United States, and not FDIC-insured. While the OCC should prohibit deceptive names or imagery, the agency should avoid overly-prescriptive or burdensome disclosure mandates.

The proposal asks if PPSIs should be required to provide disclosures which state that stablecoins are not legal tender, issued by the United States, or guaranteed or approved by the United States, and in what manner disclosures should be made. We support standardized disclosures that payment stablecoins are not legal tender, not issued by the United States, and are not insured or guaranteed by the U.S. government. Clear, uniform disclaimers help prevent consumer confusion without pre-judging the PPSI business model.

We also support a flexible, disclosure-based approach because it would allow for disclosure frameworks to evolve with the market and preserve space for innovation while still giving users the information they need to make informed choices. Requiring issuers to affirmatively state that their stablecoins are not legal tender and not FDIC-insured, while also explaining the statutory 1:1 reserve, redemption, and bankruptcy protections that distinguish GENIUS-compliant payment stablecoins from riskier instruments, strikes the right balance between transparency and usability.

[41] Office of the Comptroller of the Currency, Interpretive Letter No. 1186 at 5 (Nov. 18, 2025) ("As a general matter, paying network fees on DLT networks to facilitate any otherwise permissible activity facilitates a bank's production or delivery of products or services, enhances its ability to sell or market its products or services, and improves the effectiveness or efficiency of its operations").

For marketing, we agree that deceptive names and imagery should be prohibited, particularly where they could lead customers to believe that a stablecoin is legal tender, a government obligation, or insured like a bank deposit. But, the OCC should avoid exhaustively prescriptive lists that could rapidly become outdated as the stablecoin market evolves. The OCC should not require onerous disclosures that go beyond true and uncontroversial statements tied to commercial transactions.

2.2 – Risk management

Question 118 – Risk-management standards and additional topics

Recommendation: The OCC should adopt a principles-based risk management framework that focuses on technology and operational risks. Governance expectations should be outcomes-based rather than prescribing specific organizational charts or roles. And, Part 15.13(a)(6) should be narrowed so any "market-terms" requirement applies only to clearly defined higher-risk affiliate transactions. Accordingly, broader expectations about affiliate dealings should be treated as supervisory guidance rather than a blanket Reg W-style rule.

The OCC asks if there are areas that fall under the categories of technological, operational, compliance, or other risk management principles-based requirements and standards that should be included in Part 15.13.

We support the OCC's proposed principles-based risk-management framework in Part 15.13 and its focus on technology-specific risks, including smart contracts, encryption, and tokenized assets. Those areas are where potential PPSI risk is most concentrated and where supervisory expectations can most improve outcomes. A principles-based standard that explicitly calls out these areas will: (i) give examiners a clear basis to expect robust controls around key management, code deployment, third-party integrations, and incident response; (ii) allow requirements to evolve with new protocols and security practices without constant rule changes; and (iii) avoid forcing PPSIs into legacy, bank-style checklists that are poorly matched to a narrow, technology-heavy issuance model.

To the extent the OCC considers role-specific expectations, such as an IT/security lead or Chief Risk Officer, they should be framed as outcomes-driven governance requirements rather than prescriptive organizational charts so that different PPSIs can meet the same supervisory objectives with structures that fit their scale and complexity.

The proposed affiliate-transaction standard in Part 15.13(a)(6) also needs refinement. It is neither necessary nor appropriate to apply a Regulation W-style market-terms restriction to all transactions between a PPSI and its affiliates. GENIUS already limits a PPSI's business to payment stablecoin issuance and directly related activities, backed by fully reserved, high-quality liquid assets. As a result, there is far less scope for a PPSI's affiliates to extract value through self-dealing than in a traditional, fractional-reserve banking group. The most salient affiliate risks in this context arise in custody and banking services that an affiliate may provide to a PPSI, and for bank-affiliated issuers, Regulation W's existing quantitative limits and market-terms requirements already address those concerns.

Rather than creating a *de facto* PPSI-specific analogue to Regulation W that sweeps in all affiliate interactions — and applies asymmetrically to bank and non-bank PPSIs alike — the OCC should target Part 15.13(a)(6) narrowly at those higher-risk transaction types or, at most, articulate expectations about affiliate dealings as supervisory guidance keyed to those specific channels of risk.

Question 119 – Cross-chain transfers and interoperability risk

Recommendation: Where PPSIs use cross-chain transfers or other interoperability mechanisms to meet redemptions, the OCC should adopt outcome-based standards that ensure lock/mint/burn processes prevent double issuance and keep total units in circulation aligned with reserves. Those standards should emphasize strong controls, independent security reviews, reconciliation, and incident response for bridges, without prescribing any specific bridge or interoperability technology.

The OCC asks whether it should consider operational risk management principles-based requirements and standards to address situations where an issuer needs to transfer payment stablecoins across different blockchains to satisfy a redemption demand.

Where an issuer uses cross-chain transfers to meet redemptions or support interoperability, the OCC's risk-management standards should focus on preserving 1:1 backing and preventing double issuance rather than prescribing particular bridges or interoperability technologies. Locking, minting, and burning processes should be required to operate so that any lock/burn on one chain and corresponding mint/release on another chain occur in a coordinated way that prevents double issuance and keeps total units in circulation aligned with reserves at all times. That can be achieved through outcome-based expectations around strong controls for bridge smart contracts, independent security assessments, robust logging and reconciliation, and clear incident-response procedures for exploits or chain splits. Framing the rules this way directly targets the real prudential risk — loss of backing or uncontrolled issuance — while avoiding locking PPSIs and regulators into any specific interoperability design. This leaves room for open, permissionless-friendly solutions that can improve payment speed, resilience, and competition over time.

coinbase

Question 128 – Deeming compliance via parent bank risk requirements

> **Recommendation**: A PPSI that is a subsidiary of an IDI should be allowed to meet Part 15 risk-management requirements by operating under its parent's compliance and risk program, provided that program fully addresses Part 15 standards and the PPSI remains the party legally responsible for compliance.

The proposal asks if the OCC should deem a PPSI that is a subsidiary of an insured depository institution ("**IDI**") to be in compliance with the risk management requirements of Part 15 if it complies with those of its parent.

Yes. We believe that, as in other similar contexts, a PPSI that is an IDI subsidiary should be able to meet its Part 15 risk management requirements by adopting and meeting the requirements under a compliance program of its a parent company, provided the parent's compliance program addresses the necessary requirements under Part 15 and the regulatory compliance obligation remains with the PPSI. This preserves efficiency where group frameworks are genuinely fit-for-purpose, while keeping GENIUS accountability and supervision clearly centered on the PPSI itself.[42]

2.3 – Audits, reports, and supervision

Question 131 – Weekly confidential data collection

> **Recommendation**: The OCC should limit weekly reports to a narrow set of core indicators, remove the "top 100 holders" metric altogether, and move detailed security-level data to quarterly reporting or on-request provision, especially where the data are already available from public market sources.

Proposed Part 15.14(h) would require a weekly report covering, among other things: OIV; detailed reserve asset data (including CUSIPs, yields, and maturities); primary-market mint and redemption flows; exchanges where the stablecoin trades; "top 100" holders; and detailed repo counterparty and collateral information.

That scope goes well beyond the information the OCC actually needs on a standing weekly basis to monitor PPSI safety and soundness. It also risks conflicting with GENIUS § 6(a)(4), which directs regulators to use existing supervisory information and avoid unnecessary, duplicative reporting.

[42] *See* 12 U.S.C. § 5903(a)(4)(A)(i)(I) ("…the primary Federal payment stablecoin regulators shall…consistent with section 13, issue regulations implementing…capital requirements applicable to permitted payment stablecoin issuers that…are tailored to the business model and risk profile of permitted payment stablecoin issuers").

The final rule should therefore adjust Part 15.14(h) so that any required weekly reporting is limited to a concise set of core indicators: (i) outstanding issuance; (ii) aggregate reserves by broad asset class and by main custodians/depositories/repo counterparties; (iii) primary-market mint and redemption flows; and (iv) any large, unusual shifts in reserves or custody. The “top 100” holders metric should be removed entirely because it adds no prudential value and increases privacy and concentration-risk concerns. Detailed security-level data such as CUSIPs, yields, maturities, repo collateral, and specific trading venues should either move to the existing quarterly report or be furnished only upon request, particularly where the information (*e.g.*, yields on government securities) is already available from public market sources. This calibration would still give the OCC timely visibility into issuer-level risk while materially reducing operational and privacy burdens and keeping GENIUS reporting focused on information that actually improves prudential oversight.

2.4 – Applications and registration

Question 167 – Application process vs. other OCC filings

Recommendation: The OCC should clarify that the application process in Part 15.30 supersedes other OCC filing requirements related to payment stablecoin issuance, so that PPSI applicants face a unified, predictable pathway rather than overlapping or duplicative procedures.

The OCC asks if it should explicitly provide in regulation that the application process under proposed Part 15.30 supersedes all other filing requirements in OCC regulations related to issuance of stablecoins.

We support clarifying that the application process in Part 15.30 supersedes other OCC filing requirements related specifically to payment stablecoin issuance, so that PPSI applicants face a unified, predictable pathway rather than overlapping or duplicative procedures. This is consistent with GENIUS’s design as a tailored framework for issuers and will help avoid unnecessary complexity, particularly for entities that may already be subject to other OCC processes (*e.g.*, as national trust banks or bank subsidiaries). The OCC should also coordinate with other primary payment stablecoin regulators to align application content, evaluation standards, and timelines to the greatest extent possible, promoting competitive neutrality and regulatory clarity across charters and agency silos.

Question 175 – Requirements that should or should not apply to foreign issuers

Recommendation: The OCC’s requirements for foreign payment stablecoin issuers should be no less stringent than those for U.S. issuers. Home country adaptations of

coinbase

U.S.-specific mechanics should be permitted so that foreign issuers cannot undercut U.S. PPSIs via lower standards.

The proposal asks if there are requirements for PPSIs that should or should not apply to foreign payment stablecoin issuers.

The OCC should make clear that foreign payment stablecoin regimes must be no less stringent than the GENIUS framework that applies to U.S.-based PPSIs. At a minimum, foreign issuers accessing the U.S. market should be subject to core requirements that are substantively comparable to GENIUS on: (i) reserve quality and segregation; (ii) par-value redemption; (iii) disclosures; and (iv) governance and risk management. A foreign regime that falls meaningfully below these baselines should not qualify, even if it is well-established or convenient for incumbents.

By contrast, elements that are tightly tied to U.S. institutional features — *e.g.*, OCC-specific application mechanics or particular capital-instrument labels — can be adapted to home-country structures so long as the risk outcomes match what GENIUS demands of U.S. PPSIs. This protects U.S. users from regulatory arbitrage, avoids undercutting domestic issuers with laxer foreign standards, and still allows high-quality foreign regimes to participate on terms that support U.S. competitiveness rather than encouraging a "race to the bottom."

2.5 – Assessments

Questions 191 and 194 – Assessment structure and voluntary overcollateralization

Recommendation: The OCC should retain and refine discounted assessment treatment for PPSI reserve assets, recognizing that supervisory risk does not scale linearly with reserve size. The OCC should avoid penalizing voluntary overcollateralization by extending discounted rates or a capped carve-out for a reasonable band of extra high-quality reserves.

The OCC asks whether there is reason to believe that the existing assessment structure in Part 8.2 or the proposed assessment structure under subpart B will not adequately and appropriately enable the OCC to fund its supervisory activities in connection with institutions' GENIUS-related activities. The proposal also asks if the OCC should have a mechanism to account for voluntary overcollateralization of reserve assets.

The OCC should recognize explicitly that supervisory risk for PPSIs does not scale linearly with balance sheet size in the way it does for fractional reserve banks. Because a PPSI is fully backed by cash and short-term Treasuries and operates under strong operational and technology controls, the OCC's supervisory workload is driven mainly by how complex the business is (*e.g.*, how many chains it supports or how many distribution channels it uses) — not by each additional dollar of reserves on its balance sheet.

Accordingly, the existing Part 8 framework as amended for GENIUS is an appropriate starting point. It already applies a discounted assessment rate to required reserve assets, reflecting the narrow, full-reserve business model and the flattening of marginal supervisory risk at scale. There is no need for new assessment bases or bank-style, asset volume-driven charges. If, over time, GENIUS-related supervision proves somewhat more resource-intensive, any adjustment should be modest, transparent, and structured so that the per-unit assessment on reserves declines as issuance grows, preserving discounted treatment of low-risk assets and avoiding surcharges that would overprice supervision relative to underlying risk and undercut onshoring of high-quality PPSIs.

Given this non-linear risk profile, it would be a mistake to penalize voluntary overcollateralization. Additional high-quality liquid assets held above the 1:1 requirement reduce, rather than increase, the OCC's supervisory risk. They provide extra cushion against redemption stress without adding new business lines or complexity. Assessing those incremental reserves at the full, undiscounted rate would treat them as if they imposed proportional supervisory burden, when, in reality, the marginal risk contribution is close to flat or even negative.

We therefore support extending the existing discounted assessment rate or providing a capped carve-out for a reasonable band of voluntary overcollateralization (*e.g.*, 1–5% above required reserves) so that PPSIs are not discouraged from conservative reserve management. Any concern that firms might mislabel other assets as "reserves" to obtain discounted treatment can be addressed through tight definitional guardrails, documentation, and examination, rather than by imposing punitive assessments on bona fide, low-risk overcollateralization that makes PPSIs easier — not harder — to supervise.

2.6 – Insolvency

Question 207 – PPSI resolution

Recommendation: The OCC should clarify that the OCC has authority to place OCC-supervised PPSIs into resolution, appoint the FDIC as receiver, and the FDIC shall treat stablecoin reserve assets of the PPSI in accordance with 12 CFR 51.8(b) of the OCC's regulations.

The OCC asks if it should adopt any new rules or change any existing rules to implement the insolvency provisions of the GENIUS Act, and whether the OCC should require PPSIs to establish resolution plans.

GENIUS did not expressly confer insolvency and receivership authority on the OCC for PPSIs it supervises, creating uncertainty about how those entities would be resolved if they fail. To prevent regulatory arbitrage, the OCC should confirm that, if it determines an OCC-supervised PPSI is failing or likely to fail, it will place it into resolution, appoint the FDIC as receiver, and treat stablecoin reserve assets in accordance with Part 51 of the OCC's regulations. Under 12 CFR 51.8(b), assets a bank holds in a fiduciary or custodial capacity as shown on the bank's books and records are excluded from the receivership estate and are not available to satisfy the bank's general creditors, which is exactly how GENIUS contemplates PPSI reserve assets should be treated. Applying that framework to PPSI stablecoin reserves ensures they remain bankruptcy remote and are returned to holders rather than exposed to issuer-level losses, while also leveraging the FDIC's established receivership expertise instead of forcing the OCC to build an entirely new, untested resolution regime.

2.7 – General request for comment

Question 200 – Impact on credit creation

Recommendation: The OCC should recognize that well-regulated payment stablecoins can support, not harm, credit creation by improving payment efficiency and competition. The OCC should therefore avoid overly-restrictive yield, capital, or reserve rules that would blunt these benefits or push activity into less-regulated venues.

The OCC asks if the rule will have an impact on credit creation and how the OCC can minimize any negative impact to credit creation.

Increased competition from well-regulated payment stablecoins can reinforce, rather than erode, traditional credit creation. As stablecoins make payments cheaper and more efficient, rewards and other customer incentives funded from platform and merchant economics put competitive pressure on banks to offer higher deposit rates and better terms, which can attract additional deposits into the regulated banking system and expand the base for productive lending.[43]

The evidence does not support the assumption that stablecoin yield will pull deposits out of banks and shrink lending. As stated above, the CEA report modeled the lending effects of a full stablecoin yield prohibition and found them vanishingly small. Even under the CEA's stacked worst-case scenario — requiring a series of unrealistic assumptions about stablecoin growth and reserves sitting in unlendable cash — aggregate lending rises by

[43] Lin William Cong, *Stablecoins and Banking: Deposit Dynamics, Financial Stability, and Regulatory Design* (Cornell Univ., Working Paper, Dec. 7, 2025) https://cornell.app.box.com/s/njs6ovw8mvtyj06slrlzlcrwjij7a0y1.

only 4.4%.[44] A yield prohibition would do very little to protect bank lending while sacrificing real consumer benefits. These findings indicate that § 4(a)(11) already strikes the right balance on yield, and the OCC should resist using this rulemaking to layer on further restrictions that would impose concrete costs on consumers and competition without any meaningful offsetting gain to credit creation or financial stability.

Question 202 – Fair competition between banks and non-banks

> **Recommendation**: To promote fair competition between banks and non-banks, the OCC should ensure that capital, liquidity, and risk management standards are proportionate to a PPSI's business model and applied on an activity-based basis.

The OCC asks if there are any aspects of the proposed rule that the OCC should adjust to promote fair competition between banks and non-banks.

In practice, competition in the GENIUS framework turns on whether the rule allows diverse PPSI business models to operate on comparable terms, or instead constrains those models beyond what GENIUS requires in ways that advantage incumbent banks and large platforms. Several elements of the proposal risk the latter outcome: liquidity and reserve diversification standards that are stricter than Basel III for fractional reserve banks; insured-deposit quotas that are operationally feasible only for very large institutions; potential one-brand-per-issuer limits; and broad reading of the issuer-yield prohibition that would chill third-party rewards and other adoption tools that new entrants rely on to compete with entrenched payment rails.

Section 4(a)(4) of GENIUS mandates that capital, liquidity, and risk management requirements and standards be "tailored to the business model and risk profile of permitted payment stablecoin issuers" — not their affiliates or larger holding company families.[45] Refocusing the rule on proportionate, activity-based standards would better align with GENIUS and promote fair competition both between bank and non-bank PPSIs and between PPSIs and legacy payment providers.

Question 206 – Consortium-owned issuers

> **Recommendation**: For consortium-owned PPSIs, the OCC should treat the single PPSI issuer of record as the primary regulated nexus. Established supervisory coordination and service provider/affiliate-risk tools should be used for consortium members rather than imposing additional PPSI-specific ownership constraints.

[44] Council of Econ. Advisers at 16.
[45] 12 U.S.C. § 5903(a)(4).

The OCC asks for considerations that it should bear in mind or changes it should make with respect to PPSIs that are owned or operated by a consortium of other entities.

Consortium structures generally have a single issuer of record that is the PPSI, which is owned by consortium members. The supervisory framework, including for white label and multi-brand structures, should therefore look first and foremost to that PPSI as the regulated nexus, rather than attempting to regulate the consortium as a whole or importing bank-style consolidated supervision based on ownership mix.

Furthermore, the lead agency should be determined by the charter and approval channel of the PPSI itself (*e.g.*, the OCC where the issuer is a national bank, Federal savings association, or their PPSI subsidiary), rather than by the identity or regulatory status of the "majority owner" in a consortium. This keeps accountability and compliance clearly centered on the issuer, while allowing both bank and non-bank consortium participants to remain subject to their existing regimes.

Within this structure, the OCC should avoid additional, PPSI-specific constraints on ownership or legal form that would disfavor consortium or white label models relative to other business models. So long as the PPSI complies with GENIUS on a standalone basis and its affiliate and consortium relationships are managed through established tools (including service provider risk management and, where applicable, Regulation W), there does not appear to be — nor has the OCC identified — any prudential justification for constraining consortium-owned PPSIs beyond what the statute already requires.

The NPR rightly anticipates that some PPSIs will be non-OCC-regulated institutions operating through white label or consortium models. In those structures, the lead Federal payment stablecoin regulator should focus on: (i) ensuring that the issuer of record meets GENIUS standards on a standalone basis; and (ii) using supervisory coordination and service provider/affiliate risk management to cover bank and non-bank consortium members, including distribution partners that offer branded access to the same underlying stablecoin. This approach accommodates existing relationships between regulated issuers and large distribution platforms, and leaves room for new issuers to enter, without forcing every consortium participant (or future non-bank parent) into full PPSI status or importing bank-style consolidated supervision that GENIUS did not require.

Finally, for consortia that include both State-chartered IDIs and national banks or Federal savings associations, the lead regulator should still be the agency that authorized the PPSI under GENIUS, with a clear expectation of information sharing and, where appropriate, joint examination planning among the other primary Federal payment stablecoin regulators. This model offers clarity for issuers, preserves space for white label and consortium structures, and avoids repeated re-designation of the lead regulator as consortium ownership evolves.

Questions 205, 208, and 209 – Technological automation and interoperability

Recommendation: The OCC should adopt outcome-based interoperability standards that anchor BSA/AML obligations for cross-chain transfers at fiat on/off-ramps and custodial relationships. The OCC should also encourage interoperability between PPSIs and other cash-like instruments.

The OCC seeks comment on technical developments in distributed ledger protocols and digital assets, how PPSIs can promote interoperability within the broader digital finance ecosystem, and what risks might be posed by interoperability solutions.

Cross-chain bridging is an increasingly important interoperability mechanism for permitted payment stablecoins. To avoid undermining these benefits, the OCC, in coordination with the other primary Federal payment stablecoin regulators and FinCEN, should clarify that facilitating a customer's movement of their own funds across chains or between permitted payment stablecoins does not itself constitute a separate, regulated money transmission event that requires full know-your-customer requirements at the bridge or routing layer. Instead, Bank Secrecy Act/anti-money laundering ("**BSA/AML**") obligations should remain anchored in the points where fiat is converted to or from digital assets or where an intermediary takes ongoing custody or control. This ensures that cross-chain infrastructure can operate under a risk-based framework rather than undergoing duplicative identity verification for each technical hop.

Separately, interoperability between payment stablecoins and other forms of cash and cash-like instruments — such as physical cash, tokenized deposits, and tokenized money market fund interests — can significantly improve liquidity, settlement efficiency, and user choice. Clearinghouse-style platforms can route among these instruments and across different fiat-backed stablecoins, providing an important service to users and counterparties. The OCC should recognize and accommodate these models, but it should not mandate that PPSIs or other regulated entities build or participate in any particular interoperability framework. Interoperability of this kind should be permitted and encouraged through clear, outcome-based standards, while leaving room for market-driven architectures and competition rather than prescribing a single model by rule.

3. Areas That Should be Adopted

This section identifies provisions of the proposed rule that we support and believe should be adopted largely as drafted. It focuses on elements that closely track the GENIUS Act and provide workable guardrails for PPSIs.

Question 13 – "Outstanding issuance value" and affiliates

Recommendation: The OCC should define the term "outstanding issuance value" to mean "the total consolidated par value of all of a payment stablecoin issuer's payment stablecoins," and explain that: (i) white label partners are not treated as separate "issuers" for this calculation, even where they provide branding or distribution; and (ii) only GENIUS-covered payment stablecoins count toward outstanding issuance value.

We support the OCC's decision to define "outstanding issuance value" as "the total consolidated par value of payment stablecoins issued by a PPSI," white label or otherwise. The OCC should explain that: (i) white label partners are not treated as separate "issuers" for this calculation, even where they provide branding or distribution; and (ii) only GENIUS-covered payment stablecoins count toward OIV. This would ensure that OIV remains a risk-focused measure tied to the PPSI's own reserve-backed liabilities without sweeping in unrelated affiliates or non-PPS products.

Question 14 – Definition of "payment stablecoin"

Recommendation: The OCC should adopt verbatim the definition of "payment stablecoin" from GENIUS — including the clarifying language addressing the exclusion for securities. No technical changes are necessary, and in this case, a gap between the statutory text and regulation text is unhelpful.

GENIUS defines a "payment stablecoin" as a digital asset that: (i) is, or is designed to be, used as a means of payment or settlement; and (ii) the issuer of which is obligated to convert, redeem, or repurchase for a fixed amount of monetary value, not including a digital asset denominated in a fixed amount of monetary value; and represents that such issuer will maintain, or create the reasonable expectation that it will maintain, a stable value relative to the value of a fixed amount of monetary value.[46] There are explicit exclusions from the definition for: (i) national currency; (ii) deposits; and (iii) securities.[47] "[F]or the avoidance of doubt," the statute also clarifies that "no bond, note, evidence of indebtedness, or investment contract" shall qualify as a security solely because it satisfies § 2(22)(A)'s definition of a "payment stablecoin" — *i.e.*, it is a digital asset used as a means of payment and redeemable by an issuer for fixed monetary value.

The OCC determined that it was not necessary to repeat this clarifying language in the proposed "payment stablecoin" definition because § 17 of the GENIUS Act includes amendments to the cited Federal statutes that clarify that payment stablecoins are not securities. However, we believe the statutory definition is more clear as a whole, and the regulations should preserve the statutory clarification as written.

[46] 12 U.S.C. § 5901(22)(A).
[47] 12 U.S.C. § 5901(22)(B).

Question 107 – Adequacy and design of disclosure regime

> **Recommendation**: The OCC should adopt the disclosure requirements as proposed in Part 15.12(d)(1)–(3). More technical prudential details should be presented in layered, web-hosted materials and periodic reports so as not to dilute the effectiveness of core consumer-facing disclosures.

The proposal sets out several categories of disclosures to ensure that customers have necessary information about the payment stablecoins they hold and their issuers.

We support the specific disclosures required under proposed Part 15.12(d)(1), including: the name of the PPSI; a clear statement that the PPSI is obligated to convert, redeem, or repurchase the payment stablecoin for a fixed amount of monetary value; a link to the PPSI's monthly reserve composition report; and all fees associated with purchasing or redeeming the stablecoin. We also support the standardized form in Part 15.12(d)(2) and the ongoing update obligation in Part 15.12(d)(3). These are reasonable requirements for PPSIs that appropriately ensure customers have clear, accurate, and current information about the core features of a payment stablecoin.

We also agree that these disclosures should be clearly and conspicuously displayed on a PPSI's website and in its terms of service. Consistent with our broader comments on the disclosure regime, the OCC should prioritize these Part 15.12(d)(1) items as the most prominent, consumer-facing disclosures, while more technical prudential information is presented in layered, web-hosted materials and periodic reports so as not to dilute the effectiveness of the core disclosures.

Conclusion

We thank the OCC for its quick and attentive implementation of the GENIUS Act for PPSIs. Fit-for-purpose rules will help fulfill the President's goal of making the U.S. the crypto capital of the world. We appreciate the opportunity to respond and look forward to continued collaboration with the OCC.

coinbase

Appendix – Summary of Recommendations

Critical issue with the proposed rule
Area that requires clarification or revision
Area that should be largely adopted as proposed

Question(s)	Recommendation(s)
6+7	The OCC should clarify that the definition of "digital asset service provider" does not include a person that merely provides self-custodial software or protocol infrastructure or otherwise does not have "total independent control" over customer funds or assets, to align with existing FinCEN guidance that addresses the same topic.
13	The OCC should define the term "outstanding issuance value" to mean "the total consolidated par value of all of a payment stablecoin issuer's payment stablecoins," and explain that: (i) white label partners are not treated as separate "issuers" for this calculation, even where they provide branding or distribution; and (ii) only GENIUS-covered payment stablecoins count toward outstanding issuance value.
14	The OCC should adopt verbatim the definition of "payment stablecoin" from GENIUS — including the clarifying language addressing the exclusion for securities. No technical changes are necessary, and in this case, a gap between the statutory text and regulation text is unhelpful.
23	The OCC should define "trading volume" as the aggregate number of a PPSI's payment stablecoins bought or sold on DASP-operated centralized exchanges, and avoid a new GENIUS-specific "exchange" definition that sweeps in peer-to-peer or DeFi activity.
26	The OCC should clarify that a PPSI may retain an asset manager under a separately managed account and treat this as an activity that "directly supports" stablecoin issuance and reserve management. The OCC should also provide a non-exclusive list of additional examples of activities that "directly support" issuance to avoid case-by-case approvals.
33	The OCC should permit PPSIs to hold limited amounts of non-payment stablecoin digital assets (*e.g.*, Ether or Bitcoin) to pay network and protocol fees needed to support customer transactions.
35	The OCC should not adopt any *de minimis* exception or other modification to the issuer-yield prohibition in § 4(a)(11) of GENIUS. Instead, the OCC's regulations should restate the statutory provision to avoid creating uncertainty about the scope of that provision.

36	The OCC should not adopt the proposed "rebuttable presumption" framework. The issuer-only yield prohibition should be enforced directly under the statute, with the OCC bearing the burden of proof in any enforcement action rather than shifting that burden onto PPSIs through open-ended, ad hoc rebuttal processes.
37	The OCC should not broaden the issuer-yield prohibition to cover "direct or indirect" yield or recast ordinary commercial arrangements as "indirect interest." Instead, the OCC should preserve the issuer-only compromise in GENIUS and confirm that profit-sharing and other third party rewards remain permissible where the issuer is not paying yield "solely for holding" the stablecoin.
38	The OCC should not redefine "pay," "interest," "yield," or "solely" in regulation. Their ordinary meanings make it clear that the prohibition covers only issuer payments of yield "solely in connection with the holding, use, or retention" of a payment stablecoin, and does not extend to bona fide third party loyalty or rewards programs.
39	The OCC should not broaden or narrow the issuer-yield prohibition beyond GENIUS. Economic evidence shows that a broader yield ban would have negligible benefits for bank lending while imposing large, measurable welfare losses on consumers and weakening competition and innovation in payments.
42 + 43	The OCC should require clear, standardized disclosures — ideally delivered in web-native formats — that payment stablecoins are not legal tender, not issued or guaranteed by the United States, and not FDIC-insured. While the OCC should prohibit deceptive names or imagery, the agency should avoid overly-prescriptive or burdensome disclosure mandates.
46	The OCC should not mandate fixed regulatory reserve buffers or haircuts. Instead, the OCC should allow PPSIs to manage modest buffers and internal haircuts as a matter of prudent risk management, supported by principles-based expectations and guidance on typical ranges.
47	The OCC should not require that a fixed percentage of reserve assets be held at affiliates versus third party custodians. The OCC should instead focus on operational resilience, concentration risk, and bankruptcy remote segregation while allowing PPSIs flexibility in how they allocate reserves across affiliated and unaffiliated custodians.
57, 58, 60, 61, 64, 65, 67, 70, and 72	The OCC should not adopt the proposed custodial diversification requirements because they exceed the statute's scope and would be counterproductive. The OCC should not adopt the liquidity and reserve diversification requirements as proposed in Part 15.11(c). We recommend that the OCC adopt reserve concentration limits as follows: 1. concentration limits only for a PPSI's uninsured deposits, not for other types of eligible reserves assets; and

	2. a tiered limit for uninsured deposits that reflects historical loss rates, for example, 3-4% of a PPSI's reserve assets in uninsured deposits at any single G-SIB and 1% of the PPSI's reserves in uninsured deposits at any single non-G-SIB. The OCC should not adopt the proposed requirement that a PPSI with an OIV of $25B or more maintain at least 0.5% of reserve assets as insured deposits. Any additional benefit is at most *de minimis* while creating operational risks for a PPSI.
50 + 80	The OCC should not prescribe a minimum haircut level. Instead, the OCC should require that reverse repos used as reserve assets be appropriately overcollateralized and retain the GENIUS standard of "overcollateralization in line with standard market terms" and enforce it through supervision.
84	The OCC should not impose PPSI-specific governance or staffing mandates on issuers that are bank subsidiaries. Issuers should be able to decide whether to manage liquidity and reserves with dedicated PPSI personnel or to leverage centralized group treasury and risk functions, so long as GENIUS standards are met.
86	The OCC should not treat secondary market price moves above or below par as "de-pegging" or as automatic triggers for issuance bans. While market prices should be treated as a supervisory signal alongside other indicators, the OCC should focus its supervisory interventions on evidence of reserve or operational failures rather than market dynamics.
90	The OCC should allow white label and multi-brand structures without imposing structural constraints that would make either of these models uneconomic. Issuers should be required to legally segregate reserves for each brand and to provide brand-level composition and flow reporting and clear role disclosures.
92	For tokenized reserves, the OCC should require PPSIs to disclose both the onchain custody location of the tokenized instrument and the custody of any underlying real world asset, while avoiding overly-granular fields and allowing for flexibility as custody technologies evolve.
93	The OCC should anchor reserve composition reports to a clear month-end snapshot rather than real-time rolling updates. The OCC should allow — but not mandate — more frequent publication of high-level metrics, such as total outstanding issuance and aggregate reserves, if issuers choose to provide them.
100 + 102	The OCC should adopt T+2 as a reasonable maximum redemption time. This will provide PPSIs the time they need to manage operational constraints for redemptions while giving the market confidence that at par redemption requests will be met in a timely manner.

coinbase

	The OCC should not adopt the proposed T+7 redemption slowdown in Part 15.11(c). The proposal would have serious, negative effects on the market perception of payment stablecoins as good money, contrary to the purpose of GENIUS. The OCC instead should adopt the FDIC's approach in its proposed Section 350.5(c), which provides a PPSI discretion to request an extension of the redemption timeframe in times of extreme stress.
103	The OCC should not create a new, elaborate definition of "redemption," but should clarify that a PPSI satisfies its redemption obligation when it irrevocably initiates payment in fiat currency (or another agreed medium of exchange) to the holder or their custodian in exchange for the payment stablecoins.
107	The OCC should adopt the disclosure requirements as proposed in Part 15.12(d)(1)–(3). More technical prudential details should be presented in layered, web-hosted materials and periodic reports so as not to dilute the effectiveness of core consumer-facing disclosures.
118	The OCC should adopt a principles-based risk management framework that focuses on technology and operational risks. Governance expectations should be outcomes-based rather than prescribing specific organizational charts or roles. And, Part 15.13(a)(6) should be narrowed so any "market-terms" requirement applies only to clearly defined higher-risk affiliate transactions. Accordingly, broader expectations about affiliate dealings should be treated as supervisory guidance rather than a blanket Reg W-style rule.
119	Where PPSIs use cross-chain transfers or other interoperability mechanisms to meet redemptions, the OCC should adopt outcome-based standards that ensure lock/mint/burn processes prevent double issuance and keep total units in circulation aligned with reserves. Those standards should emphasize strong controls, independent security reviews, reconciliation, and incident response for bridges, without prescribing any specific bridge or interoperability technology.
128	A PPSI that is a subsidiary of an IDI should be allowed to meet Part 15 risk management requirements by operating under its parent's compliance and risk program, provided that program fully addresses Part 15 standards and the PPSI remains the party legally responsible for compliance.
131	The OCC should limit weekly reports to a narrow set of core indicators, remove the "top 100 holders" metric altogether, and move detailed security-level data to quarterly reporting or on-request provision, especially where the data are already available from public market sources.
155	The OCC should implement custodial protections through clear outcome-based standards, including legal segregation of customer assets, explicit contractual documentation of ownership and priority, reliable books and records, and risk-based

	oversight of sub-custodians. The proposal's specific elements should be treated as non-exhaustive examples rather than a rigid checklist.
161	The OCC should reaffirm that providers of non-custodial wallets, hardware devices, protocol front-ends, and similar tools where users retain "total independent control" over keys and assets remain outside the custodial regime, with custody requirements applying only where an entity can exercise "total independent control" over customer funds.
167	The OCC should clarify that the application process in Part 15.30 supersedes other OCC filing requirements related to payment stablecoin issuance, so that PPSI applicants face a unified, predictable pathway rather than overlapping or duplicative procedures.
172	The OCC should explicitly permit multi-brand and white label issuance by a single PPSI, require legal segregation of reserves and brand-level disclosures, and allow already-approved PPSIs to add new brands without separate OCC approval or duplicative issuance structures.
175	The OCC's requirements for foreign payment stablecoin issuers should be no less stringent than those for U.S. issuers. Home country adaptations of U.S.-specific mechanics should be permitted so that foreign issuers cannot undercut U.S. PPSIs via lower standards.
182 + 183	Consistent with GENIUS, the OCC should adopt tailored, risk-based capital requirements for PPSIs. The total capital requirement should be the sum of: ● a credit risk buffer based on Basel III risk weights applied to bank deposits; ● an operational integrity buffer to cover theft and minting contingencies based on a 1-in-100-year VaR; and ● a resiliency buffer equal to 12 months of projected operating expenses. This framework ensures capital is deployed in a manner closely tailored to the risks a PPSI will actually face.
187	The OCC should broadly align PPSI capital requirements with major non-U.S. regimes on structure and intensity to avoid disadvantaging U.S. issuers or undercutting global safeguards. The OCC should not copy weaker foreign frameworks, and should instead focus on proportionate, risk-based standards.
Other comments on capital	The OCC should extend the capital treatment for banks and bank holding companies under its proposed 3.22 to national trust banks that have PPSI subsidiaries.
191 + 194	The OCC should retain and refine discounted assessment treatment for PPSI reserve assets, recognizing that supervisory risk does not scale linearly with reserve size. The OCC should avoid penalizing voluntary overcollateralization by extending discounted rates or a capped carve-out for a reasonable band of extra high-quality reserves.

200	The OCC should recognize that well-regulated payment stablecoins can support, not harm, credit creation by improving payment efficiency and competition. The OCC should therefore avoid overly-restrictive yield, capital, or reserve rules that would blunt these benefits or push activity into less-regulated venues.
202	To promote fair competition between banks and non-banks, the OCC should ensure that capital, liquidity, and risk management standards are proportionate to a PPSI's business model and applied on an activity-based basis.
206	For consortium-owned PPSIs, the OCC should treat the single PPSI issuer of record as the primary regulated nexus. Established supervisory coordination and service provider/affiliate-risk tools should be used for consortium members rather than imposing additional PPSI-specific ownership constraints.
207	The OCC should clarify that the OCC has authority to place OCC-supervised PPSIs into resolution, appoint the FDIC as receiver, and the FDIC shall treat stablecoin reserve assets of the PPSI in accordance with 12 CFR 51.8(b) of the OCC's regulations.
205, 208, and 209	The OCC should adopt outcome-based interoperability standards that anchor BSA/AML obligations for cross-chain transfers at fiat on/off-ramps and custodial relationships. The OCC should also encourage interoperability between PPSIs and other cash-like instruments.