

The GENIUS Act, Interest, and Rewards

Consider: A shopper uses stablecoins at a favorite merchant

Joel pushed his cart through the familiar aisles of ValueHub, his phone buzzing with a notification. *"Welcome back, Joel! 15% off today on household essentials with your HubCoins."*

He smiled and added a bulk pack of paper towels to his cart. The app had become second nature over the past year—not just for finding deals, but because it actually made shopping feel rewarding.

At the electronics section, he paused at wireless headphones he'd been eyeing. The price tag showed \$89.99, but his app displayed: *"Your price with HubCoins: \$85.49 + 3% back."*

Joel tapped to apply the discount and added them to his cart.

What he really appreciated was how straightforward it all was. He'd loaded \$500 worth of HubCoins last month—same as cash, same value, but every purchase earned him rewards that stacked up quickly. Last week, his accumulated cashback had covered his entire grocery bill.

At the self-checkout, he scanned his items and tapped to pay with HubCoins. Three seconds later, done. His phone showed his new balance, his accumulated rewards, and next week's personalized offers.

Walking to his car, Joel thought about how he used to shop around between different stores for the best prices. Now? ValueHub's rewards made the choice obvious. He was loyal because they made it worth his while—and he genuinely felt like a valued customer instead of just another transaction.

This scenario is one that could play out—and should play out—all across America. In 2024, U.S. merchants paid more than \$180B in card fees,¹ and the use of stablecoins could reduce these. But big banks would like for many of the innovations made possible by stablecoins to be prohibited. They are arguing that business deals involving stablecoins could be considered illegal 'indirect interest' if a third party both benefits financially and has any connection to the

stablecoin issuer. If the merchant in the preceding example used white-labeled stablecoins from an issuer, they could fall under this prohibition, and the rewards would be impermissible.

This cannot be what Congress intended when it prohibited issuers—and only issuers—from paying interest on stablecoins. If third parties are prevented from providing these benefits, consumers are less likely to see stablecoins as a viable payment alternative, and merchants will continue paying hefty fees (which we all then pay for). Stablecoin rewards even the playing field while lessening the burden on retailers.

¹ Trefis Team, *Retailers Are Betting on Stablecoins. Should Consumers Care?*, Forbes (July 7, 2025), <https://www.forbes.com/sites/greatspeculations/2025/07/07/retailers-are-betting-on-stablecoins-should-consumers-care>

The GENIUS Act and the Prohibition of Interest

The GENIUS Act, passed into law by Congress and signed by the President in July 2025, prohibits a stablecoin “issuer” from paying interest or yield “solely in connection with the holding, use, or retention²” of a payment stablecoin. The statute addresses payments by issuers only—nowhere does the text reference “indirect” interest, affiliates, or third-party benefits. And rightly so. Bank regulators have the power to regulate banks, but they don’t have the power to regulate what depositors do with their own money after they withdraw it from the bank. The same applies to stablecoins. Regulators can regulate the issuer of the stablecoin, but what stablecoin users do with their money after that is and should be up to them.

The consequences of reward prohibitions

If a merchant offers a discount for stablecoin payments to avoid card fees, that discount is a merchant’s commercial decision—not “interest” paid by an issuer. Treating such offers as prohibited “indirect interest” would reach well beyond the statute and could deter acceptance and use of stablecoins in retail settings. Further, characterizing routine integrations—such as a business using an issuer’s API for payments—as “coordination” that converts independent benefits into issuer-paid interest would create uncertainty for employers, merchants, and fintechs.

Consider another merchant scenario: A small business offers a 2% discount for customers who pay with any stablecoins rather than cards (to avoid interchange fees). If that merchant has any business dealings with a stablecoin issuer, even something as routine as using their API for payment processing, this discount would be an illegal “economic benefit” that counts as indirect interest.

Consider a different case: A commercial property owner accepts stablecoins as security deposits from tenants and pays interest on these deposits (a common practice with traditional currency deposits in some jurisdictions). If that property owner also happens to have any business relationship with a stablecoin issuer—perhaps they use the issuer’s payment processing services or maintain a corporate account—this could also be prohibited “indirect interest,” because the property owner is providing an economic benefit “in coordination with” the tenant’s holding of stablecoins.

This sounds absurd. Yet banking lobbyists are pushing for a broad prohibition on these and many other everyday use cases for stablecoins.

Common practices such as payroll incentives or security deposit interest, when offered and funded by non-issuers for independent business reasons, should not be deemed issuer “interest.” Reading the statute to capture such practices would create compliance risks for non-financial firms and complicate adoption in everyday payments.

Conclusion

A durable GENIUS Act rule should stick to the statutory text: issuers may not pay interest or yield to stablecoin holders for holding or using the token. The notion of an “indirect” prohibition is an attempt to stifle stablecoin demand and thereby protect payments profits, and there is something unamerican about bank lobbyists pressing regulators to tell stablecoin customers what they can and cannot do with their own money after it is issued. Common sense should prevail.

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² United States Congress. “S. 1582 (119th Congress): GENIUS Act.” Congress.gov. Accessed November 5, 2025.
<https://www.congress.gov/bill/119th-congress/senate-bill/1582/text>