



November 4, 2025

By electronic submission

U.S. Department of the Treasury,
Attention: Office of General Counsel,
1500 Pennsylvania Avenue NW, Washington, DC 20220.

RE: Advance Notice of Proposed Rulemaking on GENIUS Act Implementation (RIN 15050-ZA10)

To Whom It May Concern:

The Securities Industry and Financial Markets Association¹ and its Asset Management Group² (collectively, "SIFMA") provide this letter in response to The Department of the Treasury ("Treasury") advance notice of proposed rulemaking ("ANPRM") requesting comment on questions relating to the implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins ("GENIUS") Act. SIFMA supports the GENIUS Act's creation of a new regulatory framework for payment stablecoins, which we see as a critical step in the development of mature digital asset markets, including markets for tokenized securities and other tokenized assets. It is critical that the GENIUS Act be implemented in a manner that protects consumers and investors; mitigates potential risks to the markets and broader financial system; minimizes opportunities for regulatory arbitrage; and promotes responsible innovation, ensuring continued U.S. leadership in the digital assets ecosystem.

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation, and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association.

² SIFMA AMG brings the asset management community together to provide views on policy matters and to create industry best practices. SIFMA AMG's members represent U.S. and multinational asset management firms whose combined global assets under management exceed \$45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds.

I. Executive Summary

This letter responds to select ANPRM questions and is organized around several core recommendations that SIFMA believes should guide Treasury's rulemaking:

- **Clear Scope, Safe Harbors, and Transition Mechanisms:** Treasury should provide early regulatory clarity on the reach of Section 3 and adopt limited safe harbors for (i) offshore issuances that do not target U.S. persons; (ii) non-USD stablecoins used for legitimate cross-border, FX, or tokenized-asset settlement; and (iii) de minimis test transactions. Guidance should also clarify when a person is "issuing in the United States" or offering to a U.S. person and ensure a reasonable conformance period before penalties attach.
- **Functional and Proportionate Definitions:** The definitions of "payment stablecoin," "digital asset," and "digital asset service provider" ("DASP") should be activity-based and technology-neutral. Treasury should confirm that digital-asset references encompass both public and permissioned ledgers, and that exemptions for software developers, protocols, and self-custody are applied narrowly and functionally — capturing within the regulatory perimeter entities that exercise control or earn fees, while preserving true peer-to-peer and open-source activity.
- **Reserve and Custody Standards:** SIFMA supports robust reserve requirements for permitted payment stablecoin issuers ("PPSIs") but urges flexibility to hold reserves in a diversified set of high-quality, liquid assets. Treasury should work with Congress and other regulators to clarify that (a) SEC Rule 2a-7 Treasury money-market funds, (b) overnight and intraday Treasury-backed repos, (c) deposits at U.S. branches of foreign banks may qualify as eligible reserves. All reserve assets should be held in custody or safekeeping subject to established segregation, control, and audit standards harmonized with existing custody frameworks.
- **Accounting and Collateral Treatment:** Treasury should encourage the Financial Accounting Standards Board ("FASB") to treat permitted payment stablecoins as cash equivalents for accounting purposes, and to ensure that permitted payment stablecoins are recognized as eligible collateral across the CFTC, SEC, and banking rulebooks. Tokenized money-market funds and other tokenized Treasury instruments that confer identical legal rights should also receive equivalent treatment for margin and liquidity purposes.
- **Restrictions on Non-Financial Issuers:** SIFMA supports strict limits on non-financial firms (whether publicly traded or privately held) issuing payment stablecoins. The Stablecoin Certification Review Committee ("SCRC") should evaluate a firm's systemic importance, potential contagion risks, conflicts of interest, and governance / risk management to ensure that any exemptive relief does not negatively impact financial stability or consumers.
- **Federal-State Comparability:** SIFMA supports the dual federal and state pathways for PPSIs, provided all issuers are subject to the "same risk, same activity, same regulatory outcome" standard. Treasury should interpret the "substantially similar" and "meets or exceeds" standards as part of a single, sequenced process and adopt a principles-based

framework emphasizing prudential safeguards, resolution and resiliency planning, consumer and investor protection, and anti-money laundering / countering the financing of terrorism (“AML/CFT”) compliance. Treasury should also clarify that the \$10 billion threshold for federal oversight applies on an aggregate, group-wide basis to prevent arbitrage through multi-entity structuring.

- **Cross-Border Framework and Foreign Regime Comparability:** Treasury should implement the international provisions of Section 18 to promote regulatory alignment, avoid duplicative supervision, and reinforce the dollar’s central role in global stablecoin markets. Specifically, SIFMA recommends:
 - *Outcomes-based comparability:* Treasury should apply a risk-sensitive, outcomes-focused standard that assesses whether a foreign regime achieves substantially similar investor-protection, prudential, and supervisory outcomes—not a line-by-line legal match. The foreign-bank branch model under the International Banking Act and the Federal Reserve’s Regulation K offers a useful precedent, balancing consolidated home-country supervision with U.S. oversight and cooperation.
 - *Core comparability factors:* Eligible regimes should require 1:1 high-quality liquid reserves held in custody; enforce redemption at par and segregation of customer assets; impose prudential capital, liquidity, and governance requirements; mandate ongoing supervision and enforcement authority; and ensure anti-financial crimes compliance comparability to U.S. standards.
 - *Macroeconomic impact:* Treasury should account for the broader implications of comparability determinations on U.S. Treasury-market demand. A flexible, cooperative approach could encourage foreign issuers to hold reserves in U.S. Treasuries, reinforcing dollar primacy and market depth.
 - *Reciprocity and interoperability:* Treasury should view interoperability under Section 18(d) as the ability of compliant payment stablecoins to transact and redeem seamlessly across jurisdictions. Standards around interoperability should also guard against anti-competitive “walled-garden” ecosystems that would prevent U.S. consumers or businesses from transferring, redeeming, or converting between compliant U.S.-dollar stablecoins. When Treasury enters reciprocal arrangements under Section 18, interoperability should be a factor in those determinations, but detailed technical standards should be left to industry bodies to update as appropriate over time.
- **Tax Treatment and Clarity:** Treasury and the IRS should clarify that transactions in permitted payment stablecoins are treated as cash equivalent transactions, not property dispositions, and issue guidance aligning with existing broker-reporting and wash-sale rules. This would eliminate unnecessary gain / loss recognition and facilitate widespread use of permitted payment stablecoins in payments and settlement.
- **Additional Implementation Priorities:** Treasury should coordinate with the banking agencies to clarify bank-permissible activities in digital-asset markets and establish clear parameters for staking participation by regulated financial institutions—both essential for supporting the secure scaling of tokenized and payment-stablecoin infrastructure. Regulations clarifying permissibility should also duly take into account foreign banks operating in the U.S. through branches.

II. Safe Harbors and Key Definitions

Q1. What topics should any regulations to effectuate Section 3(a), including the associated penalties, address?

Section 3(a), especially when read in conjunction with Section 3(e), could present significant implementation challenges, especially for foreign stablecoin issuers who may lack ready means to limit the availability of their stablecoins to U.S. users, including via decentralized applications not under their control. To avoid undue restrictions on U.S. access to those applications, and particularly given the criminal penalties imposed by section 3(f), we think it is important to provide guidance about when a person will be liable for “issu[ing] a payment stablecoin in the United States” in violation of section 3(a) or engaging in “conduct [that] involves the offer or sale of a payment stablecoin to a person located in the United States” within the meaning of section 3(e). In this regard, we suggest guidance or safe harbors in three areas:

- First, as discussed in greater detail in response to Q3 below, we support adoption of a safe harbor from section 3(a) for foreign issuers who do not directly market their stablecoin to U.S. users and otherwise take reasonable measures to prevent issuance in the United States.
- Second, for an initial conformance period, neither criminal nor civil liability should attach to a person (domestic or foreign) that has, in good faith, taken steps reasonably designed to come into compliance with section 3.
- Third, following that transition period, a person taking such reasonable, good faith steps should not be subject to criminal penalties under section 3(f) because such person would not “knowingly” participate in a violation of section 3(a).

Q2. Should Treasury issue regulations providing for safe harbors from Section 3(a)? If so, what factors should Treasury consider in adopting these regulations? Would it be better to observe the operation of Section 3(a) for a period of time before considering safe harbors, or are safe harbors necessary as soon as Section 3(a) becomes operational?

To prevent legal uncertainty from deterring continued stablecoin activity in the United States, we believe that regulation and guidance, including the adoption of safe harbors, is necessary *well before* section 3(a) takes effect in early 2027. Specifically, Treasury should consider issuing proposed regulations providing for three types of limited safe harbors from Section 3(a).

Safe Harbor for Offshore Issuances

To facilitate a global market for well-regulated stablecoins, some clarity is needed to avoid unintended extraterritorial effects. SIFMA recommends that Treasury consider a safe harbor for foreign non-permitted payment stablecoins that would treat them in a manner similar to other financial products, such as securities and derivatives. This type of safe harbor would provide global market participants with the clarity they need to offer these products globally and is broadly in line with existing securities law exemptions.

In crafting this type of safe harbor for transactions conducted entirely outside of the United States, Treasury could draw upon aspects of existing definitions and tests. One example would be the SEC’s Regulation S, which exempts transactions where (a) the offer and sale is

outside of the U.S. and the buyer also is physically outside the U.S., (b) the issuer and intermediary do not engage in directed selling efforts (i.e., activity undertaken for the purposes of, or that reasonably could be expected to have the effect of, conditioning the U.S. market for the asset being offered) and (c) additional offering and transfer restrictions are in place to the extent there is substantial U.S. market interest in the asset being sold.

However, while the SEC's Regulation S is a useful example to draw upon, not all aspects of it are appropriate for a modern digital asset marketplace. For instance, the rule would need to clarify how the terms "involve" "offer or sale" and "a person located in the United States" in section 3(e) tie into the concepts of "no directed selling efforts," and "U.S. person," selling restrictions to prevent flow back and other concepts. This would need to consider modern forms of communication, smart contract features, wallet whitelisting capabilities and other elements of the digital economy. In particular, we note that section 3(a), unlike section 3(b), does not point to the DASP definition and therefore does not exclude decentralized finance from its scope. Therefore, rules would need to clarify the sorts of interactions by foreign issuers with decentralized protocols that would benefit from the safe harbor.

Safe Harbor for Non-USD Stablecoins

Treasury should consider a safe harbor to permit limited use of non-USD stablecoins. This safe harbor is needed because the "payment stablecoin" definition does not specify a reference currency. As a result, unless narrowly construed, it risks inconsistency with the reserve requirements under section 4(a), which restrict permissible reserves to U.S.-dollar-denominated assets. If left unaddressed, this inconsistency could effectively bar non-USD stablecoins from the U.S. market—limiting valid use cases such as FX trading, settlement of non-USD-denominated tokenized securities, and cross-border remittances. To address this issue, SIFMA recommends adopting a safe harbor from sections 3(a) and (b) for stablecoins denominated in a foreign currency, issued by an appropriately regulated domestic or foreign issuer, backed by comparable foreign-currency instruments where reserves are held in same-currency, high-quality liquid assets under comparable prudential standards, and offered by U.S. DASPs for valid, non-USD purposes such as the use cases noted above.

Safe Harbor for Test Transactions

Treasury could consider putting in place a de minimis transaction safe harbor for limited value, non-commercial test activities designed to assess the technology functionalities of a stablecoin. This type of de minimis safe harbor should not, however, extend to normal course of business transactions.

Q3. Is the scope of the term "payment stablecoin" sufficiently clear as defined in the GENIUS Act? If not, what additional clarification should be provided?

While the GENIUS Act's definition of a "payment stablecoin" is broadly clear in intent—capturing digital assets designed to maintain a stable value and function as a means of payment—SIFMA notes that the definition of "payment stablecoin" is linked to the term "digital asset," which is defined by reference to a "public" digital ledger. Treasury should clarify that this definition is not limited to assets recorded on public networks but should also include those issued, recorded, or transferred on permissioned or private distributed ledger systems, provided they offer equivalent standards of transparency, security, and verifiability.

Q4. Is the scope of the term “digital asset service provider” sufficiently clear as defined in the GENIUS Act? If not, what additional clarification should be provided?

The GENIUS Act prohibits a DASP from offering or selling a payment stablecoin in the United States unless it is issued by a PPSI. The statute also includes various exemptions for protocols, developers, and other decentralized platforms and users. It is critical that Treasury clearly define the scope of these exemptions to mitigate against potential regulatory arbitrage that would enable certain entities to evade the statute’s prohibition on offering or selling payment stablecoins outside of a PPSI.

This is particularly important in the context of the exemption for “decentralized” trading models (referred to in the statute as liquidity pools or other similar mechanisms that provide liquidity for peer-to-peer transactions). Treasury should consider, amongst other factors, whether a protocol’s governance or economic structure is such that its developers, operators, or validators are able to “control” the operation of a protocol that facilitates the issuance, exchange, or redemption of digital assets; this could be defined in terms of having effective or ongoing ability to alter, upgrade, or profit from the operation. Treasury should also distinguish between passive software publication and operational participation in a live network that intermediates value. Finally, it should avoid issuing categorical exemptions for “software developers,” “protocol publishers,” and similar categories and instead rely on a functional approach to determine whether those actors retain meaningful governance or fee rights. Taking these steps ensure that decentralized protocols performing regulated functions are not exempted merely by form, while still exempting technical or open-source activities.

In addition to clarifying the statutory exemptions for decentralized trading models, Treasury should also clarify the extraterritorial scope of the DASP definition to avoid potential regulatory arbitrage, particularly the meaning of the phrase “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 [the prescribed activities].” Treasury should also clarify what safeguards non-U.S. DASPs need to put in place to screen out U.S. customers or users, particularly as many DASPs currently operate outside the United States and do not have rigorous KYC processes.

Q5. Is the extraterritorial application sufficiently clear as stated in the GENIUS Act? If not, what additional clarification should be provided?

As mentioned above, the extraterritorial scope that arises from the interplay of section 3(a) and section 3(e) is unclear, which must be addressed in a timely manner through a safe harbor. In addition, guidance will also be needed in the context of the extraterritorial scope of section 3(b), such as to clarify the significance of “engages in the business in the U.S.” However, unlike section 3(a), section 3(b) only takes effect in 2028, such that the guidance surrounding this provision could be developed with less urgency.

SIFMA has consistently urged regulators to borrow from established definitions to avoid fragmentation and duplicative compliance burdens. Treasury should adopt a definition of “U.S. person” that is consistent with existing financial regulatory frameworks, such as the SEC’s Regulation S definition of “U.S. person” (used for securities offerings outside the U.S.). Using existing definitions reduces legal uncertainty, creates parity across markets, and avoids bespoke, conflicting standards for payment stablecoins.

In terms of whether a person has a nexus to the United States, the criteria should be based on objective and predictable factors such as residency / citizenship, deliberate marketing to or solicitation of U.S. persons, and / or reliance on a U.S. intermediary, while purely incidental or technical connections to the U.S. (such as use of U.S.-based servers or other technology infrastructure) should be considered out-of-scope of the Act's requirements. Please see response to question 2 for additional considerations surrounding modernizing the SEC's Regulation S in the context of digital assets.

III. Treatment of non-PPSI Issued Payment Stablecoins

***Q6.** How should payment stablecoins not issued by a PPSI be treated for accounting purposes under Section 3(g)(1)?*

***Q7.** Are any regulations or guidance necessary to clarify any aspects of this treatment provision?*

To help inform the work of FASB, which will set the accounting treatment of payment stablecoins, as well as other regulators, Treasury should clarify its view that payment stablecoins be treated as cash equivalents. This approach would be consistent with their economic function (a claim redeemable at par in fiat currency). Clear guidance from FASB on accounting treatment (which should be based on fair market value) and the prudential regulators would support the adoption of payment stablecoins in payments and settlement, particularly in capital markets, by eliminating balance-sheet disincentives. Treasury should similarly clarify its views on how non-permitted payment stablecoins, which statutorily may not be treated as cash equivalents, should be treated for regulatory purposes. In SIFMA's view, such treatment should be based on an assessment of the token's rights, obligations and economic substance.

SIFMA also urges Treasury to ensure coordinated and consistent regulatory action related to the collateral treatment of payment stablecoins for margin requirements in both cleared and uncleared derivatives markets; such coordinated action is necessary to avoid a scenario in which regulated financial institutions are subject to conflicting rules across the CFTC, SEC and/or federal banking regulators.

Under current rules, eligible collateral for Initial Margin ("IM") and Variation Margin ("VM") is limited generally either to cash (in the case of VM) and / or high-quality liquid assets (in the case of IM). Permitted payment stablecoins—backed 1:1 by cash and short-term Treasuries and subject to rigorous supervision—should be deemed eligible collateral for IM and VM at central counterparties and in non-centrally-cleared transactions. Recognizing permitted payment stablecoins (i.e., only those approved under the GENIUS Act) or non-USD comparable instruments (as noted above) as margin collateral would provide important efficiency and risk-management benefits, e.g., faster margin settlement, reducing liquidity stresses during periods of market volatility, mitigating collateral scarcity, reducing procyclical demand for Treasuries in stress scenarios and improving overall financial stability.

SIFMA believes that tokenized money market fund shares that provide the same legal or beneficial rights as the underlying money market fund shares offer many of the same advantages, including enhanced liquidity, transparency, and operational efficiency. Treasury and other regulators should make clear that assets currently eligible as collateral remain equally eligible when issued or held in tokenized form, consistent with the CFTC's Digital Asset Markets

Subcommittee recommendation, which urged regulators to “ensure that tokenized forms of traditional financial instruments are afforded the same regulatory treatment to their non-tokenized versions.”³ Likewise, tokenized assets with risk characteristics comparable to payment stablecoins—such as tokenized Treasuries or tokenized money market funds—should be recognized as eligible forms of margin. With respect to haircuts and eligibility, assets should be treated alike, regardless of whether they are held in traditional or tokenized form, where tokenized forms confer the same legal or beneficial rights to holders.

IV. Exemptions for Peer-to-Peer Transactions, Self-Transfers and Self-Custody

***Q8.** Are any regulations or guidance necessary to clarify the scope of these exempted transactions?*

***Q9.** Are there any other terms in Section 3 that would benefit from additional clarification or interpretation?*

SIFMA believes that the exemptions under the GENIUS Act for (i) peer-to-peer transfers between end-users, (ii) self-transfers of stablecoins under common beneficial ownership, and (iii) true self-custody and non-custodial wallet software are appropriate. At the same time, it is critical to clearly define these activities and establish clear guardrails to protect investors, maintain market integrity, and avoid regulatory arbitrage.

To that end, Treasury should draw clear lines that distinguish exempted activities from intermediary-like functions. For example, if a third party is providing custody, order routing, or fee-based intermediation, the transaction should not qualify for the peer-to-peer exemption. Likewise, the term “self-custody” should be reserved for situations in which end-users themselves hold the private keys to their assets; it should not be used to describe arrangements in which advisers, platforms, or wallet providers hold client assets or otherwise retain any form of control.

V. Reserve Requirements

***Q10.** Are any regulations or guidance necessary to clarify the scope of the reserve requirements in Section 4(a) or the requirement to publish the composition of the reserves?*

SIFMA supports PPSIs being able to hold reserves in a broad range of products that invest in cash and Treasuries, which would enhance their ability to manage their reserves with a diversified set of high-quality liquid assets and support Treasury market resiliency.

SIFMA recommends that Treasury advocate in favor of two technical changes to the statute that would clarify the scope of eligible reserve assets. First, the GENIUS Act omits cash as permitted collateral for repurchase and reverse repurchase agreements to be considered as eligible reserves, which is inconsistent with the current and foreseeable future state of the repurchase agreement market. If left unchanged, the result could impede the ability of stablecoin reserve money market funds (and stablecoin issuers themselves) to enter into the overnight repurchase

³ Commodity Futures Trading Commission, Global Markets Advisory Committee (GMAC). *CFTC’s Global Markets Advisory Committee Advances Recommendation on Tokenized Non-Cash Collateral*. Press Release No. 9009-24, November 21, 2024.

agreements permitted under the GENIUS Act and, consequently, deprive such funds and issuers of the additional liquidity provided by overnight repurchase agreements.

By contrast, permitting cash to serve as collateral for repurchase and reverse repurchase agreements (in addition to Treasury securities) would allow U.S. government money market funds to operate as eligible reserves in a more efficient and effective manner and is consistent with both the current state of the repurchase agreement market and the future state of the centrally cleared repurchase agreement market. The recommended changes would also be consistent with the ethos of the GENIUS Act, given that cash is already explicitly listed as a separate eligible reserve asset pursuant to Section 4(a)(1)(A)(i) of the statute. Importantly, the recommended change would offer no less protection and introduces no additional risk to stablecoin issuers or their investors.

Second, as currently written, the statute generally would preclude the use, as eligible reserves, of many highly liquid money-market funds that comply with SEC Rule 2a-7 and invest only in U.S. Treasury securities, repos collateralized fully by U.S. Treasury securities, and cash and cash equivalents (“Treasury money market funds”). This is because the statute only permits PPSI’s to hold eligible reserves in the form of cash, deposits, and short-dated Treasuries with a maturity of 93 days or less. Since many Treasury money market funds routinely invest in instruments with longer maturities, this would preemptively disqualify them from being considered as eligible reserves, depriving PPSIs of access to very large and liquid funds that are subject to comprehensive protections under SEC Rule 2a-7 and other provisions of the Investment Company Act of 1940.

Thus, the statute could unintentionally reduce liquidity management flexibility for PPSIs, while also concentrating exposures in the short-dated Treasury and overnight repo markets and disadvantaging U.S.-supervised issuers relative to offshore alternatives. In order to manage both credit and interest rate risk, SEC Rule 2a-7 requires Treasury and other registered money market funds, to maintain a portfolio of assets with a 60-day weighted average maturity (“WAM”) and a 120-day weighted average life (“WAL”). SIFMA, therefore, recommends that Treasury work with Congress to amend the GENIUS Act to permit PPSI’s to treat SEC Rule 2a-7 Treasury money market funds as eligible reserve assets.

In addition to statutory amendments, SIFMA recommends that two clarifications be made to the scope of eligible reserves via the regulatory process. First, SIFMA recommends that repurchase and reverse repurchase agreements with an intraday maturity be considered as eligible reserves alongside agreements with an overnight maturity, as the language in the statute is clearly intended to exclude repurchase and reverse repurchase agreements with a “term” (longer than overnight) maturity.

Treasury should also work with the Primary Federal Payment Stablecoin and State Payment Stablecoin Regulators to clarify that U.S. branches of foreign banking organizations, regardless of their insured status, may hold PPSI-demand deposit reserves (or other deposits that may be withdrawn upon request at any time) due to the unique supervisory and regulatory oversight of foreign banking organizations operating in the United States. This approach is consistent with the national treatment principle generally reflected in U.S. federal banking laws and appropriate from a policy perspective, given the extent of U.S. regulation of these branches, the important role they play in the wholesale financial markets, and the likelihood that most stablecoin reserves will not benefit from deposit insurance, under current law, due to the size of relevant deposits. In other contexts, such as Dodd-Frank’s prohibition on federal assistance to

swaps entities (prior to its 2014 statutory amendment), regulatory authorities have also treated uninsured branches and agencies of foreign banking organizations as insured depository institutions.⁴

Q11. How will FPSIs determine the liquidity demands of U.S. customers in such a way that will be sufficient to maintain compliance with the obligation to hold reserves in U.S. financial institutions as set forth in Section 18(a)(3)?

SIFMA supports Treasury's objective under Section 18(a)(3) of the GENIUS Act to ensure that foreign payment stablecoin issuers ("FPSIs") maintain sufficient U.S.-based liquidity to meet redemption demands from U.S. customers. At the same time, SIFMA supports standards that avoid, to the maximum extent possible, localization requirements which effectively serve to increase the consolidated liquidity demands. As a result, to achieve that goal in a consistent and risk-sensitive way, Treasury should allow "liquidity demands" to be measured at the issuer level under normal and stressed market conditions and then allocated in proportion to U.S. holders' percentage.

FPSIs should therefore be required to identify the proportion of stablecoins held by U.S. customers, model redemption behavior using the aforementioned conservative stress scenarios at the issuer level and hold an appropriate share in cash or overnight Treasury-backed repos at U.S. financial institutions. Liquidity standards, such as on documentation, backtesting, and periodic supervisory reporting should be subjected to an outcomes-based comparability finding, when comparing them with those established by the Primary Federal Payment Stablecoin Regulators for PPSIs.

Q12. Are any regulations necessary to clarify requirements related to the holding of reserve assets? In particular, is additional clarity necessary regarding the extent to which reserve assets are required to, or should, be held in custody?

It is essential that the Primary Federal Payment Stablecoin and State Payment Stablecoin Regulators issue notice-and-comment rulemakings clarifying the requirements for the custody and safekeeping of reserve assets held by PPSIs. To ensure robust investor protection, mitigate conflicts of interest (per the question posed in Q55), and operational soundness, all reserve assets should be held in custody or safekeeping accounts that are subject to well-established principles of asset segregation, control, and oversight. This should occur either through the appointment of an independent third-party custodian or through a clearly defined legal separation between the PPSI's market-facing and custodial operations. In all cases, customer funds should follow segregation requirements prescribed under the GENIUS Act and custodial arrangements must comply with core safeguards such as daily reconciliation, control mechanisms, and strict recordkeeping.

In defining the standards for eligible custodians, regulators should harmonize with existing well-established custody and safekeeping frameworks, such as the SEC and bank agency frameworks, to promote consistency and avoid duplicative or conflicting requirements. Eligible custodians should meet rigorous expectations for risk management, internal controls, audit, business continuity, and cybersecurity and should maintain sufficient capital or insurance to cover potential operational errors or losses. These standards should apply to all eligible

⁴ See 79 Fed. Reg. 340 (Jan. 3, 2014).

custodians, including new, digitally native companies, in accordance with applicable custody or safekeeping frameworks. PPSIs should also be required to provide regular proof-of-possession attestations, audit reports, and transparent disclosures regarding their custody models and associated risks.

Q13. *How do market participants currently meet existing jurisdictional reserve requirements to minimize settlement or liquidity risk across jurisdictions that may require local custody of such reserve assets?*

Market participants meet jurisdictional reserve and liquidity requirements primarily by holding reserve assets with locally regulated custodial banks or trust companies in each relevant jurisdiction. To ensure both compliance and operational efficiency, firms often leverage global custodians that operate through locally supervised affiliates, thereby satisfying local custody mandates while maintaining consolidated oversight and liquidity management across markets. Many institutions also maintain local pools of high-quality liquid assets (HQLA) in key jurisdictions and rely on correspondent banking networks to facilitate settlement and redemption flows. Where permitted, tri-party or shared-custody structures are used to satisfy local compliance with global liquidity management.

Treasury should build on these well-established practices by promoting cross-border supervisory cooperation, avoiding duplicative or conflicting local-custody mandates that could fragment liquidity or increase operational risk and supporting efficient, transparent reserve management.

VI. Prohibitions on Non-Financial Companies Issuing Payment Stablecoins

Q16. *What additional clarification is necessary on the scope or application of these restrictions?*

Q17. *What factors should the SCRC consider in making a finding that, if a non-financial company issues payment stablecoins, it will not pose a material risk to the safety and soundness of the U.S. banking system, the financial stability of the United States, or the Deposit Insurance Fund? Are there any factors that should be excluded from consideration?*

SIFMA supports maintaining strict limits on the ability of non-financial companies to issue payment stablecoins and endorses a rigorous, transparent process for SCRC review. These safeguards are essential to mitigate potential contagion and financial stability risks, to avoid regulatory arbitrage, and to protect payment-stablecoin customers and investors. Treasury and the SCRC should clarify that the statutory restrictions apply broadly to any non-financial firm or affiliated group whose primary business is commercial in nature, including technology, e-commerce, and social-media platforms seeking to integrate payment stablecoin issuance into other products. Such clarification would prevent circumvention of the statute's intent by entities operating through affiliates or special-purpose vehicles.

SIFMA recommends that, before making any exemptive finding, the SCRC should apply a comprehensive assessment consistent with the metrics used to evaluate systemic importance and contagion risk within the banking sector. Specifically, the SCRC should evaluate the size and market footprint of the firm relative to the total stablecoin and payments markets; its interconnectedness with financial institutions and utilities; its cross-border exposures and reliance

on foreign settlement infrastructure; the substitutability of the firm's products or services and potential for disruption if it fails; and the complexity of the firm's corporate, operational, and technological structure.

The SCRC should also assess the firm's liquidity management, operational resilience, and governance frameworks, ensuring that it maintains robust internal controls, independent risk oversight, and transparent disclosure practices. A non-financial issuer company seeking an exemptive finding should also demonstrate that its reserve management, redemption, and liquidity practices are equivalent in quality and oversight to those imposed on regulated financial institutions. Additionally, the SCRC should require a credible recovery and resolution plan, paralleling the processes that apply to large banking organizations, to ensure an orderly wind-down in the event of distress.

The SCRC should further evaluate conflicts of interest and market-conduct risks arising from the combination of commercial and financial activities. For example, a non-financial firm that issues a payment stablecoin to promote or fund its own platform could distort competition, impair consumer choice, or create incentives to prioritize proprietary data or credit flows over customer protection. Treasury should explicitly clarify that such conflicts constitute a relevant factor in assessing whether the issuer poses a material risk to financial stability or market integrity.

Finally, while the GENIUS Act limits the SCRC review process to public non-financial companies, the same considerations should inform regulatory evaluations of any private non-financial applicant seeking to establish a PPSI subsidiary.

VII. State-Federal Comparability Regime

***Q18.** What broad-based principles should be considered in determining whether a state-level regime is “substantially similar” to the federal regulatory framework? Are there any principles that should be excluded from consideration?*

SIFMA strongly supports a framework under the GENIUS Act that provides a viable pathway for both federally and state-chartered permitted payment stablecoin issuers (PPSIs), provided that all issuers are held to the same “same risk, same activity, same regulatory outcome” standard. This dual-path model can foster competition and innovation while ensuring that larger and more systemically important issuers remain subject to direct federal supervision. Treasury should confirm that the \$10 billion threshold for federal oversight applies on an aggregate basis across all commonly controlled entities and affiliates to prevent regulatory arbitrage or evasion through multi-entity structuring. Treasury could further consider an anti-evasion rule that treats affiliated issuers as a single economic enterprise for the purposes of determining federal applicability.

In assessing whether a state-level regime is “substantially similar,” Treasury should adopt a principles-based, outcomes-focused approach that emphasizes regulatory comparability rather than formal duplication of the federal framework. A state regime should be deemed substantially similar where it demonstrates functional parity with standards established as part of the GENIUS Act and its implementing regulations in at least the following core areas:

- **Prudential Safeguards:** Reserve assets must be limited to high-quality, liquid instruments; reserves are held in custody or safekeeping at regulated financial

institutions; and state-level capital, liquidity, and risk-management requirements are consistent with federal requirements.

- **Operational Resiliency**: The state regime should also have requirements that PPSIs demonstrate robust business continuity capabilities, as well as third party risk and IT and cyber risk management capabilities.
- **Supervisory Oversight**: The state regulator exercises continuous examination authority, possesses enforcement powers that are substantially similar to those of federal banking regulators, and maintains adequate resources to supervise PPSIs effectively.
- **Consumer and Investor Protection**: The state regime guarantees clear redemption rights at par, prohibits commingling of reserve assets with operational funds, mandates transparent public disclosure of reserve composition, and ensures robust recourse and complaint-resolution mechanisms.
- **Bankruptcy Remoteness**: The state regime must incorporate a legal structure that safeguards customer assets from the issuer's insolvency estate, ensuring clear asset segregation and creditor protection.
- **AML/CFT and Sanctions Compliance**: The state framework must incorporate U.S.-aligned standards on anti-money-laundering, counter-terrorism financing, and sanctions screening, consistent with FinCEN and OFAC guidance.

Q19. *How is a determination that a state-level regime is “substantially similar” to the federal regulatory framework, as described in Sections 4(c)(1) and (2) of the GENIUS Act, similar to or different from a determination that a state-level regime “meets or exceeds the standards and requirements” for issuing payment stablecoins, as described in Section 4(c)(5)?*

SIFMA recommends that Treasury reconcile the two standards to ensure clarity and consistency in implementation. Section 4(c)(1) of the statute permits state-qualified payment stablecoin issuers to operate under a “State-level regulatory regime ... provided that the State-level regulatory regime is *substantially similar* to the Federal regulatory framework under this Act.” [emphasis added] Section 4(c)(2) directs the Secretary of the Treasury to “promulgate broad-based principles for determining whether a State-level regulatory regime is substantially similar to the Federal regulatory framework.” Separately, Section 4(c)(5)(A) provides that the SCRC shall approve a state certification if it unanimously determines that the state regime “*meets or exceeds the standards and requirements* described in subsection (a).” [emphasis added]

There is no indication that there was a legislative intent to create duplicative and inconsistent evaluation criteria. Rather, the intent appears to have been a sequenced approach, whereby Treasury sets the standards for what is “substantially similar” and the SCRC approves a particular state certification so long as it “meets or exceeds” the standard so set by Treasury. To avoid confusion and ensure uniform treatment of state-chartered issuers, Treasury should clarify by regulation this sequenced reading of the provisions. This approach will align the SCRC certification process with the broader statutory test for state comparability, eliminate redundancy between Treasury’s and the SCRC’s respective roles, and promote regulatory certainty for both state supervisors and issuers. Failing to clarify this issue could result in an outcome where state regimes are held to a higher standard than even the GENIUS Act, even though they are, by construction, testing grounds, with issuers capped at \$10 billion in outstanding payment stablecoins before transitioning to federal regulatory oversight

VIII. Marketing Prohibitions for Non-GENIUS Act Compliant Products

Q20. *To what extent does this prohibition overlap with (i) the prohibitions in Section 3, (ii) the prohibition on the use of deceptive names in Section 4(a)(9), or (iii) the prohibition on misrepresentation of insured status in Section 4(e)(2)?*

Section 4(e)(3) does appear to address, as the header for Section 4(e) indicates, “misrepresentation of... status.” Therefore, it seems appropriate to interpret section 4(e)(3) as focused on the use of the label “payment stablecoin” by non-permitted issuers, rather than on any broader prohibition against offering an instrument that, in substance, functions as a payment stablecoin.

This is particularly important given that a broader reading of Section 4(e)(3) raises the possibility of conflict with Section 3(b)(1). Specifically, it is plausible that the “offering” of a stablecoin under Section 3(b)(1) could be construed as “marketing” under Section 4(e)(3) when using a broader construction. However, this cannot have been the intent given that Section 3(b)(1) provides a three-year transition period before its prohibition takes effect, whereas Section 4(e)(3) appears to apply immediately, creating potential inconsistency in timing and scope. To avoid uncertainty, Treasury should clarify that Section 4(e)(3) is not intended to qualify, modify, or accelerate the prohibitions contained in other provisions of the statute, including Section 3(b)(1).

IX. Foreign Payment Stablecoin Issuers

A. Comparability

Q 29. *For the purpose of identifying existing foreign payment stablecoin regulatory and supervisory regimes, are there certain characteristics of a “payment stablecoin” recognized in the market that differ from how this term is defined in the GENIUS Act?*

Different types of stablecoins can be recognized under foreign regulatory frameworks. For example, the European Union’s Markets in Crypto-Assets Regulation (“MiCA”) establishes two separate categories of fiat-referenced digital assets: asset-referenced tokens (ARTs) and e-money tokens (EMTs). ARTs are digital assets whose value references multiple currencies, commodities, or other assets, and therefore function more like synthetic investment or store-of-value instruments than payment instruments. EMTs, by contrast, are tokens referencing only a single official currency and are expressly intended to serve as a means of payment, closely aligning with the GENIUS Act’s definition of a “payment stablecoin” under Section 3(a).

For purposes of any future comparability determination under Section 18(e) of the GENIUS Act, Treasury should therefore limit its analysis to EMT-type regimes and exclude broader categories, such as ARTs or unregulated algorithmic tokens, that clearly are out of scope of the statute’s definition of a payment stablecoin. A comparable approach would apply for other jurisdictions that use a broader definition of payment stablecoin.

Conversely, to the extent the term “payment stablecoin” is construed by Treasury in ways that extend the term beyond USD payment stablecoins, the path to comparability findings under Section 18 would need to be similarly open to such other currency-denominated stablecoins,

using an outcomes-based comparability approach to elements of Section 4(a) that, on their face, list USD-denominated instruments.

Q 30. *Are there foreign payment stablecoin regulatory or supervisory regimes, or regimes in development, that may be comparable to the regime established under the GENIUS Act? Are there foreign regimes that are in effect, or in development, that materially differ from the regime under the GENIUS Act?*

In responding, we note that the question posed is asking whether there are regimes that *may be comparable* to the GENIUS Act framework. Any *actual* comparability finding should occur later via Treasury's comparability findings under the statute. In that future process, SIFMA recommends a balanced, flexible, outcomes-based approach that minimizes market fragmentation while mitigating against regulatory arbitrage. Convergence should be judged on common regulatory outcomes and core pillars, not via a line-by-line comparison of statutes / regulations.

As the U.S. President's Working Group ("PWG") Report on Digital Asset Markets observed⁵, several foreign jurisdictions have already developed or proposed frameworks that appear directionally aligned with the GENIUS Act's objectives — namely, ensuring that payment stablecoins are fully backed by high-quality liquid assets, redeemable at par on demand, and subject to prudential-like requirements and supervision. These include the European Union (MiCA's e-money token framework), the United Kingdom's forthcoming regime for fiat-backed stablecoins, Singapore's amendments to its Payment Services Act, Japan's Payment Services Act revisions, and Hong Kong's proposed stablecoin licensing framework; it also likely includes Switzerland's newly proposed payment-institution regime. While the details vary, these frameworks share core features with the GENIUS Act such as issuer licensing, reserve and custody requirements, segregation of client assets, mandatory redemption rights, prudential supervision, and AML/CFT obligations.⁶

While formal comparability findings will need to be made through the process outlined in the statute, Treasury could, in the more immediate term, consider issuing either interpretive guidance or other type of framework outlining the features it "would expect" a comparable foreign regime to include e.g., licensing, high-quality reserve assets subject to robust custody and safekeeping requirements, redemption at par, segregation of customer funds, ongoing prudential supervision, disclosures and attestations, and compliance with international AML/CFT standards. This would enable foreign regimes that are in the process of developing frameworks for payment stablecoins to ensure that they are better aligned with the U.S. framework envisioned under the GENIUS Act.

Q 32. *As Treasury identifies factors for determining whether a foreign jurisdiction has a regulatory and supervisory regime that is comparable to the requirements established under the GENIUS*

⁵ President's Working Group on Digital Asset Markets, *Strengthening American Leadership in Digital Financial Technology* (July 30, 2025), at p. 60.

⁶ See, e.g., EU Markets in Crypto-Assets Regulation ("MiCA") Titles III–IV (E-Money Tokens); U.K. HM Treasury, "Future financial services regulatory regime for cryptoassets" (2024); Monetary Authority of Singapore, "Proposed Requirements for Stablecoin-Related Activities" (2023); Japan Payment Services Act (2023 amendments); Hong Kong Monetary Authority, "Consultation on the Regulatory Regime for Stablecoin Issuers" (2023); Swiss Federal Council, *Consultation on Amendments to the Financial Institutions Act to Regulate Stablecoins and Crypto Services* (22 Oct 2025); and Swiss FINMA Guidance 06/2024 on stablecoins.

Act, including standards for issuing payment stablecoins provided in Section 4(a), what specific factors should Treasury consider, including factors that should disqualify a foreign jurisdiction from being determined to be comparable? Are there factors that should be excluded from consideration?

SIFMA recommends that Treasury adopt a risk-based, outcomes-focused framework for assessing whether a foreign jurisdiction's regime is comparable to that established under the GENIUS Act. Treasury should consider both standards applied to payment stablecoin issuers and the strength of the supervisory infrastructure that enforces those standards. The overarching objective should be to ensure that foreign regimes provide substantially similar consumer protection, and financial stability outcomes to the U.S. framework—while avoiding unnecessary market fragmentation or duplicative regulation.

A useful precedent is the foreign bank branching model established under the International Banking Act of 1978 and implemented through the Federal Reserve's Regulation K. Under that framework, before a foreign banking organization ("FBO") may establish a branch or agency in the United States, U.S. regulators must determine that the home-country supervisor exercises "comprehensive consolidated supervision" of the bank. This requires confirming that the home supervisor possesses the authority, information, and capacity to monitor the firm's capital adequacy, liquidity, risk management, and compliance on a consolidated basis. Entry is typically contingent on formal supervisory cooperation agreements between the home and U.S. authorities, enabling reciprocal examination access, data sharing, and coordination in enforcement and resolution. Treasury could apply a similar type of framework when assessing the comparability of foreign stablecoin regimes—focusing on the quality and completeness of prudential supervision and the degree of supervisory cooperation.

Comparable regimes should require 1:1 reserves of high-quality liquid assets held with regulated custodians; segregation and bankruptcy remoteness of client funds; at par, timely redemption rights; and transparent disclosures supported by independent audit or attestation. They should also impose capital, liquidity requirements, governance, and risk-management requirements that are similar to those mandated by Section 4(a) of the Act, enforced through ongoing supervision and effective enforcement authority. Foreign regimes should also ensure that payment stablecoin issuers engaging U.S. markets meet substantially similar anti-financial-crime obligations.

Finally, Treasury should weigh the macroeconomic implications of its comparability findings, such as their potential impact on demand for U.S. Treasuries and Treasury-backed instruments. Narrowly drawn comparability standards could discourage foreign issuers from holding reserves in U.S. instruments, diverting demand toward other sovereign markets and fragmenting dollar-based liquidity. Conversely, accounting for these potential macroeconomic impacts in comparability determinations could help reinforce the dollar's pre-eminence by encouraging global payment stablecoin reserves to be held in U.S. Treasuries.

Q 33. *To what extent should Treasury consider a foreign jurisdiction's willingness and ability to enforce the prohibitions in Sections 4(a)(9), 4(e)(2), and 4(e)(3), as related to misrepresentations of U.S. government support or that of the foreign government, as a factor in comparability determinations under Section 18(b)?*

The applicants for a comparability determination under Section 18(b) would be expected to include a reasonable explanation of the status of payment stablecoins under local law and the forms of governmental support (or lack thereof) that are available. Foreign jurisdictions would not typically expressly address misrepresentations about government support, which might instead be a matter left to general anti-fraud rules.

As a foreign jurisdiction could not be expected to enforce the U.S. marketing restrictions established under Sections 4(a)(9), 4(e)(2), and 4(e)(3) of the GENIUS Act overseas, relevant disclosures could be mandated to be made available for U.S. customer offers, and monitored and enforced by the Office of the Comptroller of the Currency (“OCC”), as provided in Sections 18(c)(2) and (3).

B. Reciprocity and Interoperability

Q 34. How should Treasury interpret “interoperability” in Section 18(d)(1)(C), describing “interoperability with U.S.-dollar denominated payment stablecoins issued overseas”? What technical, legal, regulatory, or other measures are most relevant for interoperability? To what extent should compliance with any interoperability standards issued under Section 12 be required under reciprocal arrangements or other agreements entered into under Section 18(d)?

SIFMA recommends that Treasury interpret “interoperability” under Section 18(d)(1)(C) as the capacity of payment stablecoins issued under different legal or regulatory regimes to operate seamlessly, safely, and predictably across technical, legal, and supervisory boundaries—without introducing new operational, consumer-protection, or financial-stability risks. Interoperability should be understood as technology-neutral and based on a “minimal common set” of technical and supervisory standards, rather than requiring any shared ledger, bridge, or proprietary network integration. The objective should be to ensure that U.S.-dollar payment stablecoins issued overseas can transact, settle, and redeem at par with U.S.-issued stablecoins in a way that preserves functional equivalence and regulatory accountability.

When considering interoperability, Treasury should also guard against anti-competitive or exclusionary practices that could undermine it. This would reflect Congress’ objectives of encouraging fair competition between different types of entities and preventing the creation of closed stablecoin ecosystem e.g., if a large technology or commercial platform were to create preferential pricing or limits redemption options for its own or affiliated stablecoin to restrict user mobility. Treasury’s implementing regulations should therefore clarify that interoperability includes the absence of artificial technical, financial, or contractual barriers that would prevent U.S. consumers or businesses from transferring, redeeming, or converting between compliant U.S.-dollar stablecoins.

Interoperability should be considered as a factor when Treasury enters reciprocal arrangements under Section 18(d). However, detailed technical interoperability standards themselves should not be enshrined in these reciprocal agreements, given that such standards will evolve over time and it would be difficult to constantly update these agreements. A more effective approach would be for Treasury to defer to industry standard setters to periodically update standards around technical interoperability.

C. Foreign Payment Stablecoin Issuers (FPSIs)

Q 35. *What information should U.S. authorities require from a FPSI registered under Section 18(c), and in what format(s) should such information be made available, to ensure that U.S. customers understand how to demand timely redemption of the instrument?*

U.S. authorities should require clear, standardized disclosures from FPSIs to ensure that U.S. customers can understand—and exercise—their redemption rights in a timely and predictable manner. The disclosure regime could, for example, require FPSIs to provide public disclosures of redemption procedures, points of contact, settlement timelines, and applicable home-jurisdiction insolvency or resolution frameworks; the absence of government support; periodic filings to U.S. regulators detailing reserve composition, custodial arrangements, and liquidity positions; and supervisory certifications confirming that reserves supporting U.S. holders are maintained in U.S. financial institutions (other than those excepted under Section 18(d)) and that redemption claims are enforceable under U.S. law.

Q 36. *Are any regulations or guidance necessary to clarify the prohibition on offers and sales of payment stablecoins issued by foreign issuers in the United States under Section 3(b)(2) of the GENIUS Act, including the requirement that an FPSI have the “technological capability” for compliance?*

Treasury should issue guidance clarifying that the prohibition on offers and sales of foreign-issued payment stablecoins in the United States applies unless the FPSI can demonstrate both regulatory authorization under Section 18 and operational readiness to comply with U.S. law. Treasury should also clarify that a favorable comparability determination under Section 18(b) for a foreign country eliminates all prohibitions under Section 3 with respect to payment stablecoins of FPSIs of that foreign country (this would include Section 3(b)(2), which extends relief that is similar to 18(c)(1)(A) for registered FPSIs).

For other cross-border clarifications, see answers to questions 1, 2 and 5.⁷

X. Taxation

Q 37. *To what extent would guidance from the IRS on the classification of payment stablecoins be necessary or helpful to taxpayers?*

SIFMA recommends that Treasury and the IRS clarify that such instruments are treated as the functional equivalent of U.S. dollars when used in payment transactions. Applying the current “property” classification under IRS Notice 2014-21 to GENIUS-compliant payment stablecoins would undermine their intended use for everyday commerce, generating unintended gain/loss recognition and complex record-keeping burdens for routine transactions such as retail payments, remittances, or settlement of tokenized securities.

Cash-equivalence treatment would eliminate these frictions, allowing payment stablecoins to serve their intended purpose as a transactional medium of exchange without distorting taxpayer behavior or discouraging adoption. Guidance modeled on long-standing IRS rules for cash, demand deposits, and certain short-term instruments could clarify that transactions denominated in permitted payment stablecoins do not give rise to gain or loss when used at par

⁷ See Section II (Safe Harbors and Key Definitions), *supra*, at 4-7.

for payments or redemptions. Such treatment would align with the GENIUS Act’s policy intent to integrate regulated digital-dollar instruments into the broader U.S. financial system.

Q 38. *What other topics, if any, should any such tax guidance address? Which issues should be the highest priority items to address?*

Beyond classification, Treasury and the IRS should issue targeted guidance on related tax issues to promote consistency and reduce compliance complexity. This should include clarity on how existing Internal Revenue Code Section 6045 and 6045A broker-dealer reporting rules apply to payment stablecoins used as settlement assets and confirming that permitted payment stablecoins are excluded from wash-sale rules applicable to property, consistent with their treatment as cash equivalents. Additionally, Treasury should provide clarification that payment stablecoins, treated as cash-equivalents, would be outside of the scope of Forms 1099-DA and 1099-B reporting obligations. Treasury should also clarify the treatment of non-permitted or unregulated stablecoins, which may be more appropriately treated generally as digital assets.

SIFMA recommends that any final regulations allow for a lead time of no earlier than 18 months, to allow financial institutions to analyze any guidance or new requirements, update complex systems, and implement operational processes for compliance.

XI. Economic Data and Other Topics

Q 49. *What are the economic benefits of aligning U.S. stablecoin rules with foreign regimes (e.g., reduced friction and increased access)?*

Please refer to our response to question 32.⁸ The PWG on Digital Asset Markets Report highlighted the risks arising from regulatory fragmentation:

“regulatory fragmentation among jurisdictions with different—or even conflicting—regimes could impact market flows of digital assets. For stablecoins, a lack of broad, coherent, and robust oversight can undermine stablecoins’ reliability as a payment instrument, limiting their circulation, their stability, or their ability to circulate without discount. Regulatory fragmentation can also lead to market fragmentation, and to reduced or trapped liquidity within specific stablecoin arrangements; this, in turn, can limit market depth in ways that can affect the broader health of digital asset markets. More fundamentally, fragmentation may impose inefficient compliance and operational costs on U.S. stablecoin issuers and other registrants operating internationally, making them less competitive and the international playing field less even.”⁹

Q 55. *What types of conflicts of interest might arise for stablecoin issuers, and what safeguards might enable stakeholders to be confident in a fair market?*

⁸ See Section IX (Foreign Payment Stablecoin Issuers), *supra*, at 16-17.

⁹ President’s Working Group on Digital Asset Markets, *Strengthening American Leadership in Digital Financial Technology* (July 30, 2025), at p. 61.

Please see SIFMA's response to question 12.¹⁰

Q 57. *Are there other topics not addressed in this ANPRM that should be considered in future Treasury rulemakings?*

Passage of the GENIUS Act marks an important step in the development of mature digital asset markets, but additional regulatory action beyond the scope of this ANPRM will be necessary to fully achieve that vision. In addition to the areas discussed above, it is critical that regulatory action be taken on two other topics:

Permissibility: Bank participation in digital asset markets turns in large part on whether the activities they seek to undertake are legally permissible. SIFMA is encouraged by language in draft market structure legislation that would provide much needed clarity as to bank-permissible digital asset activities. Further, and in addition to relevant provisions of possible market structure legislation, the GENIUS Act provides that banks are “authorized to . . . act[] as a principal or agent with respect to any payment stablecoin and payment of fees to facilitate customer transactions.” It is not clear, however, whether this language is intended to authorize banks’ principal or agent activities with respect to payment stablecoins *for any purpose*, or whether it instead contemplates a more limited set of permissible activities tied to payment stablecoin transactions. Further regulation may be needed to clarify the precise scope of bank-permissible principal or agent activities with respect to payment stablecoins.

Staking: Proof-of-stake networks like Ethereum and Solana depend on staking to validate transactions. Without the validation of new blocks, nothing, including the payment stablecoins authorized under the GENIUS Act, can be issued or moved on proof-of-stake blockchains. As it stands, though, regulated financial institutions are faced with considerable uncertainty as to the regulatory requirements that they would need to adhere to before participating in staking in any fashion. For example, participating in staking raises a host of significant questions as to firms’ obligations concerning BSA, AML, and sanctions compliance for which there is currently no clear answer, which likely prevents regulated financial institutions from participating. This, in turn, threatens to relegate the staking function to less regulated entities in the US, or outside of the US all together. Thus, for digital asset markets to properly scale, clarity on firms’ obligations with respect to staking is needed. Regulations clarifying permissibility should also duly take into account different forms of banking operating in the U.S., including foreign banks operating in the U.S. through branches.

¹⁰ See Section V (Reserve Requirements), *supra*, at 10-11.

* * *

SIFMA appreciates Treasury's consideration of these comments and looks forward to further engagement with it and other regulators on the implementation of the GENIUS Act. Please contact Peter Ryan (pryan@sifma.org) or Charles DeSimone (cdesimone@sifma.org) if you wish to discuss the points raised in this letter further or have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Bentsen", with a stylized flourish at the end.

Kenneth E. Bentsen, Jr.
CEO and President
Securities Industry and Financial Markets Association