



May 1, 2026

By electronic submission

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

RE: OCC Notice of Proposed Rulemaking Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency, OCC-2025-0372

To Whom It May Concern:

The Securities Industry and Financial Markets Association ("SIFMA") and its Asset Management Group (collectively, "SIFMA")¹ appreciates the opportunity to comment on the Office of the Comptroller of the Currency's ("OCC") Notice of Proposed Rulemaking ("the Proposal") implementing the Guiding and Establishing National Innovation for U.S. Stablecoins ("GENIUS") Act for the issuance of stablecoins by entities subject to OCC jurisdiction. SIFMA's members will be central participants in the payment stablecoin ecosystem as issuers, custodians, reserve asset managers, counterparties in short-term Treasury and repurchase markets, operators of institutional custody infrastructure, and providers of securities-related services in connection with stablecoin-related activities. Our comments reflect the practical experience of firms that operate across all of these functions and are grounded in SIFMA's longstanding mission of promoting fair, efficient, and resilient U.S. capital markets.

SIFMA supports the development of a credible, risk-sensitive prudential framework for payment stablecoin activity and commends the OCC for advancing a Proposal that recognizes the multi-party nature of the payment stablecoin ecosystem and the need for clear supervisory standards governing

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.

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.

issuers, custodians, and other participants. A well-calibrated framework is essential not only to the safety and soundness of payment stablecoin issuers themselves, but also to the broader capital markets infrastructure with which the payment stablecoin ecosystem will interact.

At the same time, SIFMA believes several aspects of the Proposal would benefit from additional clarification, more targeted calibration, and, in some cases, a more functionally differentiated approach. Key provisions of the Proposal - particularly the reserve asset diversification and maturity requirements, the liquidity and redemption framework, and the treatment of custody arrangements - will have significant spillover effects on capital markets. At the scale of issuance that the OCC itself projects for the payment stablecoin market, permitted payment stablecoin issuer (“PPSI”) reserve asset demand has the potential to materially affect short-dated Treasury pricing and liquidity, the functioning of repurchase markets, and the role of government money market funds (“MMFs”) as reserve vehicles.

As payment stablecoins evolve from a relatively early-stage innovation into a potentially significant component of U.S. and cross-border payments and capital markets infrastructure, it is critical therefore that the final rule be operationally workable, aligned with the statutory design of the GENIUS Act, and calibrated to the actual risks presented by different issuer structures, activity profiles, and custody models. It is also critical that the OCC coordinate its approach to implementation with the other GENIUS Act regulatory agencies and, where appropriate, with the market regulators.

Executive Summary

This letter is organized around the following core recommendations:

- **Scope and Covered Entities:** The OCC should clarify the scope of the Proposal’s application to covered entities, including the territorial reach of Subpart C, the expectations applicable to entities performing multiple roles within the stablecoin ecosystem, and the allocation of regulatory responsibility across issuers, custodians, distributors, wallet providers, and payment intermediaries. The OCC should also provide operationally workable guidance on the identification and validation of payment stablecoin regulatory status as tokens circulate across distributed ledger networks and intermediary platforms and should establish reasonable transition periods for requirements that necessitate significant operational buildout or industry coordination.
- **Definitions:** The definition of “distributed ledger” should not inadvertently exclude permissioned or private ledger architectures. The \$10 billion federal oversight threshold should be strengthened to close potential arbitrage pathways through multi-entity structuring. SIFMA supports the OCC’s proposed approach to multi-brand stablecoin issuance, subject to appropriate reserve segregation and brand-specific transparency requirements.
- **Permitted Activities:** The OCC should calibrate affiliate transaction restrictions to issuer organizational form to avoid both duplicative obligations for bank-affiliated PPSIs and insufficient specificity for nonbank PPSIs. The OCC should also clarify that PPSIs may engage only in the activities permitted by the GENIUS Act, with any additional activities conducted through a separate

legal entity and should clarify the authority of federally supervised digital asset service providers (“DASPs”) to engage in GENIUS Act activities.

- **Reserve Assets:** SIFMA recommends removing assets held in custody from the proposed 40 percent single-institution concentration limit, increasing the weighted average maturity (“WAM”) limit from 20 days to 60 days to better align with the statutory 93-day maturity ceiling and with the maturity framework applicable to government MMFs, and broadening the weekly liquidity requirement to encompass any eligible reserve asset convertible to cash within five business days. SIFMA also recommends removing the insured deposit requirement for large issuers, confirming the eligibility of tokenized reserve assets subject to appropriate legal and operational safeguards, and clarifying that the treatment of MMFs investing in GENIUS Act-permitted assets receive treatment comparable to the underlying assets. The OCC should also permit flexibility for temporary breaches of quantitative limits caused by market movements, rebalancing, settlement timing, or stress conditions and clarify that deposits and cash may serve as permitted collateral in repurchase and reverse repurchase agreements that qualify as eligible reserve assets.
- **Redemption Requirements:** The OCC should remove the automatic seven-day redemption extension triggered by a 10 percent outflow threshold, which risks encouraging preemptive redemptions and worsening run dynamics, which could in turn transmit pressure to short-dated Treasury and repo markets that serve as the primary funding infrastructure for the broader capital markets. The final rule should instead emphasize ex ante liquidity planning, stress testing, and supervisory escalation triggers. The OCC should also clarify fee disclosure scope, redemption timeliness calculations, and the consequences of non-timely redemptions, and should consider the broader market implications of forced self-liquidation under stress.
- **Custody:** The OCC should impose strong capital requirements for self-custody of reserve assets, confirm that reserve cash may be held as general deposits, clarify the interaction of the Proposal’s custody and control concepts with existing legal and regulatory frameworks, including broker-dealer custody standards, and permit omnibus account structures subject to adequate control, reconciliation, and recordkeeping. The OCC should also coordinate with the SEC and FINRA on custody definitions and segregation standards that affect common institutional custody arrangements and should provide clearer guidance on the treatment of payment stablecoins used as collateral. The OCC should additionally coordinate with the Federal Deposit Insurance Corporation (“FDIC”) and Board of Governors of the Federal Reserve System (“Federal Reserve”) to confirm that cash held as reserves is, in all cases, a deposit liability of the holding bank, and confirm that limited operational commingling solely to facilitate on-chain transaction (gas) fees on behalf of customers is permissible.
- **Operational Backstop and Capital Requirements:** The OCC should clarify the expected insolvency and bankruptcy treatment of reserves, the capital treatment of third-party payment stablecoin exposures held by banking organizations, and the application of the operational backstop to rapidly scaling and de novo issuers. SIFMA recommends anti-evasion safeguards to ensure that material expenses booked to affiliates are captured in the backstop calculation; more tailored capital

requirements that reflect the range and complexity of a PPSI's own activities; parity in the capital treatment of non-payment stablecoin crypto-asset exposures across PPSIs and other banking organizations; capital treatment of MMFs held as reserve assets that reflects their underlying risk profile; and a Regulation W-type framework for intraday affiliate facilities, and clear expectations for capital and liquidity stress testing and contingency planning. The OCC should further confirm that the operational backstop must be funded with capital rather than debt and should look through to capture material operational expenses booked at the affiliate level, so that the backstop performs its intended resilience function during stress rather than serving as a formalistic requirement susceptible to circumvention.

Across each of these areas, our recommendations are guided by a consistent set of principles: that the same risk, the same activity, and the same regulatory outcome principle should apply across issuer types; that the final rule should provide sufficient specificity to support compliance and supervision without inadvertently constraining beneficial market development; and that interagency coordination is essential.

This latter point is particularly important. The agencies granted rulemaking authority in the GENIUS Act should exercise their mandates in close coordination with one another, applying consistent standards and supervisory principles, treating market participants with similar risk profiles in a similar manner, and working closely with one another to provide input on proposed rules and resolve divergences prior to rule finalization.² As part of this coordination, the agencies should consider how existing bank capital and liquidity frameworks apply to payment stablecoin-related activities so that implementation does not produce inconsistent treatment that could discourage bank participation in these markets. Where appropriate, the OCC, along with the other prudential regulators and U.S. Treasury, should also consult and coordinate with the Securities and Exchange Commission ("SEC") and Commodities Futures Trading Commission ("CFTC").³

² This includes issues where U.S. Treasury and the prudential regulators each have important roles *e.g.*, the broad regulatory framework governing foreign payment stablecoin issuers ("FPSIs") or where common definitions would be helpful *e.g.*, clarifying the meaning of an "insured depository institution." The agencies should also work together on ecosystem-wide issues, such as the appropriate allocation of dispute resolution responsibilities between different payment stablecoin participants.

³ Areas where such coordination may be helpful include the treatment of payment stablecoins for margin and accounting purposes, as well as ensuring that the taxonomies used by different regulators are aligned *e.g.*, reconciling the SEC's use of "covered stablecoin" and the GENIUS Act definition of "payment stablecoin" (*see* U.S. Securities and Exchange Commission & Commodity Futures Trading Commission, *Interpretation Regarding the Application of the Federal Securities Laws to Certain Crypto Assets and Transactions Involving Crypto Assets*, Release No. 33-11412, File No. S7-2026-09 (eff. Mar. 23, 2026), available at <https://www.sec.gov/files/rules/interp/2026/33-11412.pdf>.)

I. Scope and Covered Entities

Clarify the Scope of Supervisory Guidance

The Proposal appropriately relies on principles-based standards in several areas but would benefit from greater clarity regarding which regulatory expectations the OCC intends to establish through rule text versus supervisory guidance. Absent such clarity, market participants may face uncertainty as to whether key compliance obligations will be articulated ex ante or developed through supervisory processes over time.

SIFMA recommends that the OCC clearly signal, in the final rule or accompanying materials, those areas where additional supervisory guidance, FAQs, or examination standards are anticipated, including with respect to multirole governance, affiliate transactions, operational risk management, and ecosystem coordination. Clear differentiation between rules-based requirements and supervisory expectations would promote more consistent implementation and reduce the risk of materially new obligations emerging only through examination.

Implement Transition Periods or Phased Implementation

Several aspects of the Proposal would require significant operational buildout, system development, or industry coordination to implement effectively, particularly where compliance depends on new infrastructure, evolving market standards, or cross participant coordination. Immediate full compliance with such requirements may be operationally challenging despite good faith efforts.

SIFMA recognizes that the GENIUS Act establishes statutory effective dates that limit the OCC's ability to delay the applicability of core requirements. Within those constraints, however, the final rule and supervisory framework should consider reasonable transition periods or phased implementation approaches for requirements that necessitate new capabilities, or, where appropriate, for other requirements that the GENIUS Act leaves to the OCC and other federal regulators to implement in order to become effective, supported by supervisory engagement during the implementation period. A measured transition framework would promote safer and more orderly adoption of the final rule, reduce operational risk, and better support the development of resilient payment stablecoin markets consistent with the objectives of the GENIUS Act.

The Application of Subpart C Should be Clarified

The OCC should clarify that Subpart C does not apply to custody activities that lack a meaningful U.S. market nexus merely because a U.S.-regulated custodian appears somewhere within a global custody chain. As the Proposal is currently framed, it could be read to apply to an entity's custody activities related to a foreign stablecoin issuer that falls outside the GENIUS Act's perimeter. Such a reading would risk extending Subpart C beyond the intended territorial and functional limits of the statute and could impose U.S. supervisory obligations on activities that are neither directed at U.S. persons nor

connected to payment stablecoins subject to the GENIUS Act. The final rule should make clear that Subpart C applies only where there is a sufficient U.S. nexus to covered payment stablecoin activity within the scope of the Act.⁴

To avoid unintended extraterritorial application, the final rule should clarify that a “sufficient U.S. nexus” for purposes of Subpart C is coextensive with the territorial scope established in Section 3 of the GENIUS Act. Specifically, Subpart C should apply only where custody or safekeeping activity supports the issuance, offer, sale, or other making available of payment stablecoins in the United States or to persons located in the United States, or where such activity relates to payment stablecoins issued by a permitted payment stablecoin issuer or a registered foreign payment stablecoin issuer in connection with U.S. market activity. Mere participation of a U.S.-regulated custodian at one or more points in a global custody chain, without a nexus to payment stablecoins subject to Section 3 of the Act, should not by itself trigger Subpart C obligations.

This reading is grounded in the statute's territorial design. Section 3(e) provides that Section 3 "is intended to have extraterritorial effect if conduct involves the offer or sale of a payment stablecoin to a person located in the United States," establishing both the basis for, and the outer boundary of, U.S. regulatory reach over payment stablecoin activity.⁵ Section 10 contains no parallel extraterritorial provision, and its reference to "*permitted* payment stablecoins" in the private-key custody clause indicates that Section 10's custody requirements were intended to track Section 3's territorial perimeter rather than extend beyond it. Section 18(a)(3) reinforces this reading by requiring a registered foreign payment stablecoin issuer to hold reserves at a U.S. financial institution only "sufficient to meet liquidity demands of United States customers." That formulation affirmatively limits the U.S.-based custodian's role to backing payment stablecoins made available to U.S. customers, and Section 10's custody obligations should be read consistently with that limitation. Section 3(d) also directs Treasury to issue regulations defining terms used in Section 3, and SIFMA will encourage Treasury to adopt definitions that reinforce a consistent territorial perimeter across the GENIUS Act framework.

Separately, a foreign stablecoin issuer may hold assets through a non-U.S.-regulated custodian that, potentially several layers down the chain, appoints an OCC regulated sub-custodian. In such a structure, the local U.S. custodian may see only its direct contractual client and may have no visibility into the ultimate issuer or whether the underlying activity relates to a payment stablecoin subject to the GENIUS Act. Absent clear boundaries on the scope of Subpart C, U.S. custodians could be exposed to supervisory expectations that they are not operationally positioned to satisfy and that were not contemplated by the statute.

The final rule should therefore clarify the territorial and functional scope of these requirements and provide guidance on how firms are expected to tailor compliance frameworks to identify and mitigate

⁴ 12 U.S.C. § 484 (Limitation on visitorial powers); 12 C.F.R. § 7.4000 (Visitorial powers with respect to national banks); see also GENIUS Act § 4(b)(1), 12 U.S.C. § 5903(b)(1) (exclusive OCC supervision of Federal qualified payment stablecoin issuers)

⁵ GENIUS Act § 3(e), 12 U.S.C. § 5902(e); see also *id.* § 18(a)(3).

risks presented by foreign stablecoin issuers that may be several steps removed in a chain of custody. The OCC should also consider whether, and how, foreign legal regimes may impose contrary requirements in this area and should seek to avoid outcomes that would discourage U.S. custodians from participating in global custody arrangements.

Operational Guidance is Needed for the Identification of Payment Stablecoins

The OCC should provide operationally workable guidance on how market participants can identify and validate the regulatory status of payment stablecoins once those tokens circulate across distributed ledger networks, trading venues, and wallet platforms. The GENIUS Act establishes a multi-category framework under which payment stablecoins may be issued by domestic PPSI (at both the federal and state level) or by registered foreign issuers. Beginning July 18, 2028, DASPs will be prohibited from making available for purchase, sale, or exchange or selling payment stablecoins to persons in the United States unless those tokens are issued by a domestic PPSI or a qualifying foreign issuer. Yet the Proposal, while imposing issuer-facing disclosure obligations, does not establish any standardized framework through which intermediaries, custodians, trading venues, wallet providers, and ultimately end users, can determine which tokens are compliant payment stablecoins and which regulatory standards apply to them.

That gap has meaningful compliance consequences. Payment stablecoins can circulate across networks and jurisdictions without any inherent feature that identifies the issuer's regulatory status. An intermediary that receives a token transfer or lists a stablecoin for trading may have no standardized way, on-chain or otherwise, to determine whether the token was issued by an OCC-approved issuer, a state-qualified issuer, a registered foreign issuer, or an unregistered foreign issuer whose tokens may not lawfully be offered, sold or otherwise made available to U.S. persons. This problem will only intensify as issuance scales and multiple domestic and foreign stablecoins circulate on the same networks. SIFMA therefore recommends that the OCC, in coordination with Treasury and other relevant regulators, establish identification standards that could include a public registry of PPSIs and foreign payment stablecoin issuers ("FPSIs") linked to token contract addresses, expectations for on-chain metadata or similar identifiers, and minimum disclosure standards that allow intermediaries and end users to distinguish among regulatory categories in real time.

Clarity is Needed for Entities that Perform Multiple Roles

The final rule should clarify expectations where an entity performs multiple roles within the stablecoin ecosystem, such as issuer, reserve custodian, wallet provider, and payment intermediary.⁶

⁶ Our concern is directed at the cumulative effect of combining these roles, not at affiliation within any single function; a bank providing reserve custody for an affiliated PPSI, where the issuer independently satisfies the reserve requirements and the custodian independently satisfies the custody requirements, does not by itself warrant incremental requirements.

General internal control requirements are not sufficient, by themselves, to address the governance, information-sharing, preferential-access, and conflict-management risks that arise when a single institution operates across multiple layers of the “stack.” These risks include not only traditional conflicts of interest, but also anti-competitive concerns. A vertically integrated group may exploit informational advantages derived from wallet transaction flows, preference affiliated entities in reserve management, or use proprietary payment infrastructure in a manner that disadvantages unaffiliated issuers, custodians, or intermediaries.

The Proposal establishes a necessary starting point by requiring segregation of duties, internal controls, and reserve asset segregation, and by addressing insider and affiliate transactions at a principles-based level. But it does not provide the specific guidance needed for multi-role structures, such as functional separation expectations, information barriers, escalation protocols, independent governance, or standards for affiliate service arrangements. Existing analogues, including Regulations O and W, demonstrate that more specific controls are both feasible and familiar. The Proposal does not provide explicit guidance, or even illustrative examples, for how an entity performing multiple roles should manage conflicts of interest, erect information barriers, or govern affiliate service arrangements beyond general internal controls. Nor does the Proposal resolve the one-brand/one-issuer question it raises; although the OCC’s stated concern is run risk and contagion, shared back-office and risk management structures across a multi-brand group raise the same competitive and governance concerns that specific multi-role guidance should address. The OCC should fill these gaps in the final rule, at minimum through supervisory guidance that provides safe harbors for compliant multi-role governance structures.

II. Definitions

The Definition of “Distributed Ledger” Should Be Strengthened

The Proposal defines “distributed ledger”⁷ consistent with the GENIUS Act to mean technology in which data is shared across a network that creates a “public digital ledger” of verified transactions or information among network participants, with cryptography used to maintain the integrity of the ledger and execute other functions. The Proposal further states that the term “distributed ledger” is “limited to publicly available and accessible ledgers” (footnote 38). SIFMA is concerned that this framing, if left unqualified, could be read to exclude permissioned or broadly-available private ledger (e.g., a permissioned network open to any qualifying financial institution or participant under published criteria) architectures from the scope of the definition and, by extension, call into question whether a stablecoin circulating on such a ledger qualifies as a payment stablecoin under the Act.

The payment stablecoin market is still at an early stage of infrastructure development, and it is not yet clear which ledger architecture(s) will ultimately predominate for institutional and retail payments

⁷ GENIUS Act § 2(10), 12 U.S.C. § 5901(10) (definition of “distributed ledger”); 91 Fed. Reg. at 10,203 n.38 (OCC interpretation limiting definition to “publicly available and accessible ledgers”).

use cases. A definition that inadvertently privileges one ledger type over other risks would foreclose market-driven innovation before viable models have had the opportunity to develop and compete at scale. Flexibility in this definition is therefore essential. The regulatory framework should accommodate the range of distributed ledger technologies that may support compliant payment stablecoin ecosystems, rather than anchoring eligibility to a particular architectural choice that may not reflect the eventual market structure.

There is also a practical compliance dimension. Permissioned ledgers may offer significant advantages for meeting applicable regulatory obligations, standards of operational integrity and best practices, including identity verification, transaction monitoring, sanctions screening, and the ability to freeze, seize, or destroy stablecoins when legally required. The OCC should ensure that the definition affirmatively accommodates potential future ledger architectures, including permissioned and broadly available private networks, that facilitate regulatory compliance, operational integrity or otherwise facilitate meaningful improvements over currently available ledgers.

To that end, SIFMA recommends that the OCC clarify the following in the final rule: First, a stablecoin should qualify as a payment stablecoin regardless of whether it is recorded on a permissioned or private network, provided that the network is broadly available on a commercial basis. The relevant policy criterion should be whether the ledger is accessible to market participants on reasonable commercial terms, not whether the ledger is permissionless. A commercially available permissioned network that admits participants meeting defined eligibility criteria serves the GENIUS Act's policy objectives of broad access, transparency, and interoperability without requiring the absence of any access controls. Second, the definition should expressly encompass configurations in which a private or permissioned network operates as a "layer 2" built on top of a public, permissionless "layer 1" ledger. These hybrid architectures, in which settlement finality or data anchoring occurs on a public ledger while transaction processing occurs on a permissioned layer, are increasingly common in institutional market infrastructure and are likely to play a significant role in payment stablecoin ecosystems. The definition should not inadvertently exclude stablecoins circulating on such networks by focusing solely on the characteristics of the layer at which the stablecoin is transacted rather than the broader ledger infrastructure.

The Calculation of Outstanding Issuance Value Should Include Non-Affiliated Issuers

The Proposal defines "outstanding issuance value" as the total consolidated par value of all of a payment stablecoin issuer's payment stablecoins, including those issued under white-label arrangements. The OCC notes that this definition would not include payment stablecoins issued by the issuer's non-consolidated affiliates, which would "separately need to comply with the requirements of the Act."

SIFMA is concerned that this approach creates a pathway for structural arbitrage of the \$10 billion threshold for federal oversight. A corporate group could establish multiple non-consolidated affiliated entities, each licensed as a state qualified payment stablecoin issuer with outstanding issuance individually below \$10 billion, even as the group's aggregate issuance substantially exceeds that

threshold. None of these entities would be required to transition to OCC oversight, notwithstanding Congress's apparent intent that issuance of that magnitude be subject to federal prudential supervision.⁸

This concern is reinforced by the Proposal's own treatment of affiliate risk elsewhere in the Proposal. The OCC adopts a broad definition of "affiliate" tracking the Bank Holding Company Act's "controlling influence"⁹ test and reserves authority to impose additional capital or liquidity requirements on a PPSI that may be adversely affected by the condition of its affiliates. These provisions recognize that affiliate interconnectedness creates risks that cannot be evaluated on an entity-by-entity basis, yet the outstanding issuance value calculation, which determines whether the OCC exercises supervisory authority at all, does not account for those same interconnections.

SIFMA recognizes that the statutory text at Section 4(d) refers to "consolidated total outstanding issuance," which may constrain the OCC's authority to adopt a mandatory aggregation rule by regulation. Accordingly, SIFMA recommends that the OCC, at minimum, establish a supervisory expectation that affiliated state qualified issuers whose aggregate issuance approaches or exceeds \$10 billion will be subject to heightened examination coordination with state regulators, and articulate the factors it would consider in evaluating whether an affiliate structure such as a consolidated parent or holding company legal entity has been designed principally to avoid the federal oversight trigger.

The Proposal's Approach to "Branded" Stablecoins Is Appropriate and Should be Enacted

SIFMA recommends that the OCC take the approach suggested in its questions and address the potential risks associated with a PPSI issuing more than one brand of payment stablecoin through targeted structural and transparency requirements, rather than by prohibiting multi-brand issuance outright. In particular, the OCC should require that reserve assets backing each brand of payment stablecoin be legally separate (e.g., by holding the reserves "in trust" for a particular branded stablecoin") and maintained in a manner sufficient to ensure that each brand is backed one to one by its own designated reserve pool, without commingling or cross support across branded products. Clear legal segregation of reserves on a brand-specific basis would help mitigate contagion risk, preserve holder expectations, and ensure that redemption obligations for one branded stablecoin cannot be compromised by stress affecting another.

In addition, the OCC should require public and supervisory reporting on a brand-by-brand basis, including disclosures and examiner visibility into outstanding issuance, reserve composition, redemption activity, and material operational arrangements associated with each branded product. Brand-specific reporting would enhance market transparency, facilitate effective supervision, and reduce the risk that differences in risk profile, reserve management, or governance across branded stablecoins become obscured at the consolidated issuer level. Taken together, these measures would allow PPSIs to offer

⁸ GENIUS Act § 4(d), 12 U.S.C. § 5903(d) ("consolidated total outstanding issuance" \$10 billion threshold for federal oversight).

⁹ Bank Holding Company Act § 2(k), 12 U.S.C. § 1841(k) (definition of "affiliate"); 12 C.F.R. § 223.2 (Regulation W – definition of affiliate for purposes of sections 23A and 23B).

multiple branded payment stablecoins where market demand exists, while ensuring that each product remains independently robust, transparent, and fully aligned with the GENIUS Act's one-to-one backing and redemption principles.

III. Permitted Activities for PPSIs

The OCC Should Calibrate Restrictions on Transactions Between a PPSI and its Affiliates

Restrictions on transactions between a permitted payment stablecoin issuer and its affiliates should be calibrated to the organizational form of the issuer and should not unnecessarily disrupt routine operational relationships or create competitive asymmetries. SIFMA agrees with the principle that affiliate transactions should be conducted on arm's-length terms and that appropriate safeguards are needed to prevent self-dealing and transmission of risk within financial groups. But the Proposal's framework resembles Regulations O¹⁰ and W¹¹ without incorporating the specificity, approval structures, and exemptions that make those regimes effective in practice.

The Proposal requires PPSIs to ensure that transactions with affiliates and insiders are conducted on "market terms," are "not excessive and do not pose a significant risk of material financial loss," and are "appropriately documented and reviewed by the board of directors." SIFMA supports the principle that affiliate transactions should be conducted on arm's-length terms: where a PPSI operates within a larger group, appropriately calibrated restrictions on affiliate dealings are necessary to protect against self-dealing, preferential access, and the transmission of risk across the corporate structure. This is particularly important for nonbank PPSIs that are not otherwise subject to an existing affiliate transaction regime and for which the Proposal represents the primary source of affiliate transaction discipline.

The challenge herein lies in the rule's calibration. The Proposal's affiliate transaction requirements resemble Regulations O and W but lack the specificity and comprehensiveness of those frameworks *e.g.*, the quantitative limits, specific approval processes, or structured exemptions that Regulations O and W provide for national banks. The result is a principles-based standard that applies uniformly across all PPSI types *e.g.*, bank subsidiaries, national trust banks, and nonbank issuers, without accounting for the fact that these entities operate under materially different existing regulatory regimes, including across borders. A PPSI that is a national bank is already subject to Regulation W, while a nonbank PPSI is not. Yet the Proposal applies the same undifferentiated framework to both, creating the potential for either duplicative obligations for bank-affiliated PPSIs or insufficient specificity for nonbank PPSIs.

¹⁰ 12 C.F.R. Part 215 (Regulation O – Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks), implementing 12 U.S.C. §§ 375a, 375b

¹¹ 12 C.F.R. Part 223 (Regulation W – Transactions Between Member Banks and Their Affiliates), implementing sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c, 371c-1

SIFMA therefore recommends that the OCC address this calibration gap in the final rule in two respects. First, the affiliate transaction framework should be differentiated by issuer form. For PPSIs that are subsidiaries of insured depository institutions or otherwise already subject to Regulations O and W either in whole or in part¹², the final rule should clarify how the Proposal's requirements interact with those existing frameworks, and should avoid imposing obligations that are duplicative of, or inconsistent with, the affiliate transaction regime that already governs the broader banking organization. For nonbank PPSIs, the OCC should provide more specific standards including, where appropriate, quantitative benchmarks or safe harbors, that give issuers and examiners a clearer compliance framework than the current principles-based formulation offers.

Second, the OCC should clarify that permitted payment stablecoin issuers may only engage in the permitted activities set forth in section 4(a)(7). To the extent an entity wants to engage in additional activities beyond those permitted under section 4(a)(7), they should do so out of a separate legal entity, consistent with the clear statutory language of the GENIUS Act. The proposed interpretation of section 16(a) allows uninsured national trust banks to engage in additional permitted activities as compared to other types of PPSIs, increasing risks and creating an unlevel playing field contrary to the unambiguous language the statute created. Third, the OCC should ensure that the overall calibration does not create an unlevel playing field across issuer types. If the affiliate transaction framework is materially more restrictive for bank-affiliated PPSIs than for nonbank PPSIs or vice versa - the result will be regulatory-driven competitive distortions that the "same risk, same activity, same regulatory outcome" principle should prevent.

The final rule should also make clear that appropriately governed affiliate arrangements supporting core operational functions remain permissible. In practice, many firms rely on affiliated entities for payments-related processing, fraud monitoring, cybersecurity support, sanctions or transaction screening, incident response, and related operational services. These arrangements are often integral to safe and efficient operations and should not be cast into doubt merely because they occur within an affiliated group.

At the same time, such arrangements should remain subject to appropriate safeguards, including arm's-length terms, documented service standards, clear escalation and continuity arrangements, board or equivalent oversight where appropriate, and controls designed to prevent preferential treatment or undue concentration of operational dependence. Clarifying the permissibility of these common service arrangements would improve operational certainty while preserving the OCC's ability to supervise affiliate risk in a targeted and risk-sensitive manner.

¹² The final rule should also utilize the same tailored framework as does Regulation W regarding, for example, FBO branches and agencies, and confirm that the Proposal is not intended to expand the scope of affiliate transaction restrictions applicable to such organizations beyond what is necessary to address risks arising from the PPSI's own U.S. operations.

Clarify How the GENIUS Act's DASP Framework Interacts with the OCC's Existing Interpretive Framework for Digital Asset Activities

The OCC should clarify how the payment stablecoin regime interacts with the OCC's existing interpretive framework governing federal supervised entities' authority to engage in digital asset activities, including those captured by the GENIUS Act's DASP definition. Considering the OCC's existing crypto-activity interpretive framework, it is important to clarify whether further individualized approvals would be required for federally supervised entities to engage in the activities contemplated by the GENIUS Act's DASP definition, or are already consistent with existing supervisory expectations, and how the authorities applicable to digital asset service providers interact with those applicable to PPSIs and FPSIs.

The GENIUS Act defines a DASP broadly to encompass entities that exchange digital assets for monetary value or other digital assets, transfer digital assets to third parties, act as digital asset custodians, or participate in financial services relating to digital asset issuance. The DASP definition does not confer activity authority on any particular entity. Rather, for federally chartered entities, including national banks and federal savings associations, the authority to engage in digital asset custody, execution, and related activities derives principally from the OCC's pre-GENIUS interpretive framework, including Interpretive Letter 1184¹³ and related guidance, under which crypto-related activities have been authorized incrementally through individual interpretive letters. There is an open question as to how engaging in the activities captured by the GENIUS Act's DASP definition interacts with this existing framework, and whether federally chartered entities conducting such activities need to rely on their pre-GENIUS authority, on the payment stablecoin regime, or on some combination of the two.

SIFMA recommends that the OCC clarify two points. First, the OCC should confirm that the payment stablecoin regime does not supersede or condition the existing interpretive framework under which a federally chartered entity is authorized to engage in crypto custody, execution, and related activities, and that a federally chartered entity acting in its capacity as a DASP may carry out the activities enumerated in the GENIUS Act's DASP definition without requiring additional activity-specific approval from the OCC, provided the entity is in compliance with applicable safety and soundness standards and the existing interpretive framework.

Second, the OCC should clarify any differences between the permitted activities applicable to PPSIs under proposed Part 15 and the permitted activities of DASPs under the Act, so that market participants can clearly identify the regulatory expectations and operational boundaries that apply to each role. This clarification is particularly important where a single institution is operating both as a PPSI and as a DASP because the overlap between the PPSI permitted activities and the broader set of activities captured by the DASP definition creates ambiguity about which framework governs.

¹² OCC Interpretive Letter No. 1184 (May 7, 2025) (Clarification of Bank Authority Regarding Crypto-Asset Custody Services)

Representations and Disclosures

The OCC should further provide sample representations and disclosures that it would consider sufficient to satisfy the Proposal's consumer-facing transparency requirements. The Proposal appropriately prohibits marketing that would lead a reasonable person to view payment stablecoins as legal tender, government-backed, or covered by deposit insurance, and it makes clear that a generic disclaimer will not cure an otherwise misleading presentation.

Firms would benefit from affirmative examples of compliant language, format, and placement. The OCC should therefore provide illustrative representations that address the nature and risks of payment stablecoins, the absence of deposit insurance, redemption terms, and the distinction between a payment stablecoin and a bank deposit. Doing so would promote market consistency and reduce the risk that divergent disclosure practices themselves become a source of confusion.

IV. Reserve Assets

The OCC Should Provide a Workable Approach to the Concentration and Diversification Requirements, Including Flexibility for Temporary Breaches of Quantitative Limits Under Limited Conditions

SIFMA recognizes that both Option A's and Option B's quantitative diversification benchmarks seek to address the same underlying prudential objective: ensuring that payment stablecoin reserves are appropriately diversified, liquid, and resilient under stress. Each approach presents potential benefits and tradeoffs, and the choice between them has meaningful implications for supervisory consistency, issuer flexibility, and market development. Our membership holds a range of views on the relative merits of the two approaches, and we encourage the OCC to weigh the considerations below alongside other comments it receives on this topic.

Option A offers the possibility of tailored outcomes by combining a diversification standard with an optional safe harbor, allowing PPSIs with different business models to engage with supervisors on how diversification objectives are met. This structure preserves optionality: PPSIs with different business models, reserve compositions, and operational profiles may engage with supervisors on how the concentration and diversification objectives are most appropriately met for their specific circumstances, while retaining the safe harbor as a clear default for PPSIs that prefer ex-ante certainty. Option B, by contrast, provides clearer ex-ante benchmarks that may reduce ambiguity and promote consistency across firms and examination teams, reducing the supervisory burden associated with case-by-case tailoring and limiting the risk of inconsistent outcomes across PPSIs with otherwise comparable risk profiles.

Regardless of whether the OCC finalizes Option A, Option B, or a hybrid approach, the OCC should consider permitting temporary breaches of quantitative limits caused by market movements, rebalancing, settlement timing, stress conditions, or liquidations, subject to remediation within a

reasonable period. A framework that requires continuous compliance with strict percentage thresholds across all reserve assets does not account for the ordinary operational dynamics of reserve management and could force procyclical rebalancing during periods of market stress, which is precisely when concentration shifts are most likely and forced liquidation is most costly.

Assets Under Custody Should be Removed from the Proposed 40 Percent Cap

The Proposal would prohibit a PPSI from holding more than 40 percent of its reserve assets at any one eligible financial institution, whether as deposits, insured shares, or securities held in custody. SIFMA agrees that the reserve asset concentration creates risks that should be managed and monitored, but the proposed limit, as currently drafted, applies a single metric across exposure types with materially different risk characteristics. A demand deposit at a bank, a bilateral repo counterparty exposure, and a custody relationship for segregated Treasury securities do not subject the asset owner to equivalent risks. Deposits and bilateral repo transactions expose the PPSI to the credit risk of the counterparty institution. In contrast, Treasury securities held in segregated custody are the property of the PPSI, not the custodian. The OCC's own custody framework requires segregation of customer assets, recognition of customer ownership interests, and protections against custodian-creditor claims, including where assets are held through sub-custodians subject to appropriate oversight.

Including custodied assets in the 40 percent concentration limit conflates these distinct risk profiles in a way that lacks precedent in existing prudential frameworks. Concentration-based risk metrics in banking regulation, including the single-counterparty credit limits ("SCCL") framework, do not require a bank to aggregate the total value of assets held in custody with other exposure amounts. Custody risk is operational in nature, relating to the custodian's ability to safeguard, account for, and return assets, rather than a credit or counterparty exposure of the kind that quantitative concentration limits are designed to address. Moreover, custody banks are subject to detailed and highly prescriptive regulations specifically designed to ensure they can operate up to and through insolvency, and there is a well-established body of law that shields assets held in custody from third-party claims. While PPSIs should be required to monitor these operational risk concerns, applying a blunt percentage cap to custodial relationships as though they were credit exposures represents a novel departure from this established framework without a clearly articulated prudential rationale.

The consolidated look-through basis on which the limit is applied would also create significant operational challenges. Reserve assets may be held through omnibus accounts, sub-custody chains, or collateral-agent structures that do not map cleanly onto a single-institution concentration calculation. Monitoring and maintaining compliance with a 40 percent limit that aggregates cash deposits, repo counterparty exposures, and custodied securities on a continuous basis, across structures that may involve multiple intermediary layers, would impose substantial compliance costs without a corresponding risk-reduction benefit, particularly where the custodied assets are already subject to the segregation and protection requirements the Proposal itself mandates.

SIFMA therefore recommends that the OCC remove custodied assets from the 40 percent single-institution concentration limit. In its place, the OCC should introduce a qualitative requirement that each PPSI monitor and manage its custodial concentration risk through its operational risk management framework, including assessment of custodian financial condition, operational resilience, the legal protections governing the custodial arrangement, and the adequacy of sub-custodian oversight. This approach would preserve a meaningful quantitative limit for on-balance-sheet exposures (*i.e.*, cash deposits and repo counterparty exposures) where concentration risk is most acute, while applying the appropriate prudential tool to custodial relationships.

SIFMA further recommends that the OCC clarify whether the 40 percent concentration limit applies when reserve assets are held directly by the PPSI rather than through a third-party eligible financial institution. The Proposal frames the limit in terms of assets "maintained at" an eligible financial institution, but it is unclear whether a PPSI that custodies its own reserve assets would itself be treated as an "eligible financial institution" for purposes of this calculation. This ambiguity should be resolved in the final rule.

The Proposed 20-Day Weighted Average Maturity Limit Is Unnecessarily Restrictive

The Proposal would require that the total stock of a PPSI's reserve assets maintain a WAM of no more than 20 days. SIFMA believes this limit is inconsistent with the maturity framework explicitly permitted by the GENIUS Act, is misaligned with the Proposal's own liquidity requirements, and is tighter than the maturity standards applied to other highly regulated liquidity vehicles that the OCC itself cites as analogues.

First, the 20-day WAM limit is difficult to reconcile with the GENIUS Act's own determination of which assets are appropriate for payment stablecoin reserves. Congress authorized Treasury securities with remaining maturities up to 93 days,¹⁴ overnight repo and reverse repo agreements backed by those securities, and MMFs that invest solely in such instruments. The Proposal itself confirms, in Footnote 53, that government MMFs investing in Treasuries with maturities of less than 93 days are eligible reserve assets. A regulatory requirement that imposes an effective portfolio duration one-fifth of the maximum statutory maturity significantly constrains the utility of the asset classes Congress expressly authorized. Moreover, the OCC asks in the Proposal whether Treasury securities with remaining maturities up to two years should qualify as eligible reserve assets, a question that would be largely academic under a 20-day WAM, since even modest allocations to securities beyond 30 days would quickly exhaust the available maturity budget.

Second, the 20-day WAM limit is substantially tighter than the maturity standards applied to Rule 2a-7 government MMFs which permits a 60-day WAM and a 120-day weighted average life for funds that invest in substantially similar asset classes — government securities, repos, and agency obligations. These funds are subject to comprehensive SEC regulations, daily NAV calculations, and liquidity

¹⁴ GENIUS Act § 4(a)(1)(A)(ii), 12 U.S.C. § 5903(a)(1)(A)(ii) (Treasury securities with remaining maturities of 93 days or less)

requirements, and have demonstrated resilience through multiple market stress episodes. A PPSI reserve portfolio subject to a 20-day WAM would be constrained to hold a materially shorter-duration portfolio than a regulated MMF investing in the same instruments,¹⁵ without a clearly articulated prudential justification for the more conservative calibration.

Third, the 20-day WAM limit does not operate in isolation; it interacts with the Proposal's other quantitative requirements in ways that compound its restrictiveness. The Proposal already requires that at least 10 percent of reserve assets be held as daily liquidity (as demand deposits or Federal Reserve account balances) and at least 30 percent be accessible within five business days. These liquidity floors ensure that a substantial portion of the reserve portfolio is available to meet near-term redemption demands regardless of the WAM of the remaining assets. The WAM limit therefore provides diminishing marginal benefit, the liquidity required to meet redemption demands under stress is already secured by the daily and weekly liquidity requirements, while the WAM limit constrains the tenor of assets that serve a different function: generating stable, low-risk return on the portion of the portfolio not needed for immediate liquidity. An appropriately calibrated framework should align these requirements rather than layer them in ways that produce an aggregate constraint tighter than any individual component would justify.

SIFMA recommends that the OCC adopt a WAM limit of 60 days, which would remain well within the bounds of the statutory 93-day maturity ceiling, be consistent with the maturity framework applicable to government MMFs and allow PPSIs to make efficient use of the full range of reserve asset classes Congress authorized. A longer WAM limit would also reduce the structural vulnerabilities that arise from forcing reserve portfolios to rely on overnight and very short-dated instruments. A 20-day WAM effectively concentrates rollover and refinancing risk in the shortest segment of the Treasury and funding markets, increasing issuers' dependence on daily market access and amplifying cliff-effects during periods of stress. As stablecoin issuance scales toward the \$500 billion the OCC projects, such a requirement could heighten rollover risk concentrations, exacerbating procyclicality during Treasury market stress periods.

Eligible Reserve Assets Convertible to Cash Within 5 Business Days Should Count Towards the 30 Percent Weekly Liquidity Requirements

The OCC should revise the weekly liquidity requirement to permit any eligible reserve asset that can be converted into cash within five business days (including shares of qualifying GENIUS-compliant MMFs), to count toward the 30 percent weekly liquidity threshold. For example, Treasury securities across the short end of the curve can generally be monetized much faster than five business days, particularly through repo markets. The Proposal may understate the practical liquidity of many reserve assets. A liquidity framework that focuses on the *functional convertibility* of reserve assets, rather than their nominal classification alone, would better reflect how liquidity is generated in U.S. dollar funding

¹⁵ 17 C.F.R. § 270.2a-7(c)(2) (SEC Rule 2a-7 – Money Market Funds: 60-day weighted average maturity limit and 120-day weighted average life limit for government money market funds)

markets. Allowing all eligible reserve assets that can be converted into cash within five business days to count toward the weekly liquidity requirement would preserve strong redemption safeguards while avoiding unnecessary constraints on prudent reserve management. This approach would also be more consistent with established prudential liquidity concepts, which emphasize timely access to cash rather than rigid asset buckets that may not reflect market realities.

The specific timeframe used to operationalize this principle should be calibrated to the redemption expectations established under the GENIUS Act and to the approaches being developed by the other prudential regulators with authority over payment stablecoin issuers. Interagency alignment on the liquidity timeframe is important both to avoid fragmentation across the PPSI regulatory perimeter and to ensure that comparable issuers face comparable liquidity expectations regardless of their primary Federal regulator. SIFMA would support a timeframe that is consistent with redemption expectations under the GENIUS Act and harmonized across agencies.

Given the nascent stage of stablecoin regulations, the OCC may, in the future, need to modify this value. In SIFMA's view, 30 percent is an appropriate lower bound at this stage, providing a meaningful baseline level of redemption capacity while allowing issuers flexibility to manage reserves efficiently. Over time, however, the OCC may wish to revisit this threshold in light of observed redemption behavior, market concentration, or changes in the structure and scale of payment stablecoin usage, including whether higher liquidity buffers are warranted to address future market dynamics.

The OCC Should Provide Greater Clarity on Reverse Repurchase Agreements Held as Reserve Assets

The OCC should provide greater clarity regarding the conditions under which reverse repurchase arrangements remain appropriate in stress. In particular, firms would benefit from clearer guidance on what constitutes “severe market stress,” what it means for activity to be “centrally cleared,” and how those standards should be applied in practice where market liquidity, clearing access, or operational capacity may be strained.

These requirements directly affect the practical capacity of securities financing markets, the availability of clearing channels, and the risk that reserve-management requirements become procyclical during stress. If expectations around central clearing, stress monetization, or operational readiness are unclear or inconsistently applied, issuers may face uncertainty precisely when timely reserve monetization is most important. Clearer standards would support more consistent implementation and better align reserve-asset eligibility with real-world market functioning under both normal and stressed conditions.

The Proposed Requirement that 0.5 Percent of Reserve Assets be Held in Insured Deposits Would Create Excessive Operational Complexity

SIFMA recommends that the OCC remove the proposed requirement that issuers with \$25 billion or more in outstanding issuance hold 0.5 percent of reserves in the form of insured deposits or insured shares at an insured depository institution. Because deposit insurance is capped at \$250,000 per depositor per institution, maintaining insured status even for a small fraction of reserves would require a large issuer to fragment deposits across an impractically large number of institutions and accounts. That would create operational burdens and liquidity frictions without meaningfully improving redemption readiness, which is better supported by access to operationally liquid reserve assets. Therefore, the OCC should remove this requirement and consider whether alternative approaches such as cash held at the Federal Reserve or short-dated U.S. Treasuries would better support redemption preparedness without introducing operational fragmentation.

Clarify the Tokenized Versions of Permissible Reserve Assets May Qualify as Reserve Assets

In line with the clearly defined provisions in Section 4(a)(1)(A)(viii) of the GENIUS Act, the OCC should restate in the final rule that tokenized versions of otherwise permissible reserve assets, such as tokenized U.S. Treasury securities, may qualify as reserve assets, provided they represent direct, legally enforceable claims on the underlying assets and satisfy applicable custody, segregation, and operational safeguards. SIFMA recommends that the OCC adopt principles-based standards to that effect. Reserve-asset eligibility should turn on economic substance, legal certainty, and liquidity of the asset, not on the technological means used to record ownership or facilitate transfer of the asset.

MMFs Which Invest in Assets Permitted by GENIUS Should Receive Comparable Treatment to the Underlying Assets

MMFs investing exclusively in assets permitted under the GENIUS Act should receive treatment comparable to the underlying assets themselves. The Proposal would permit certain registered government MMFs invested solely in otherwise eligible reserve assets, while also indicating that funds investing in Treasuries with remaining maturities longer than 93 days would not qualify. The subset of Treasury-only funds meeting these conditions may already be relatively limited, and additional diversification, concentration, or other supervisory requirements could further constrain the use of these funds as reserve assets, potentially affecting the role that Treasury-focused MMFs play in supporting liquidity in short-term Treasury markets. As Congress explicitly permitted Treasury-only MMFs as reserve assets, imposing another layer of diversification, concentration, and other requirements would significantly decrease the utility of MMFs as reserve assets. MMFs are moreover comprehensively regulated by the SEC under Rule 2a-7 and Investment Company Act of 1940 provisions, which already address the same set of issues that the OCC is focused on.

The OCC Should Clarify That Deposits May Serve as Permitted Collateral in Repurchase and Reverse Repurchase Agreements That Qualify as Eligible Reserve Assets

In response to Question 45 in the Proposal¹⁶, SIFMA recommends that the OCC clarify in the final rule that deposits and cash (U.S. coins and currency) may serve as permitted collateral in repurchase and reverse repurchase agreements that qualify as eligible reserve assets under proposed § 15.11(b)(4) and (b)(5). Given that these assets are themselves eligible reserve assets under the GENIUS Act, they should therefore qualify as permitted collateral in this instance.

In modern repo markets, deposits and other forms of cash routinely function as collateral, and limiting eligible collateral to Treasury securities alone could impair reserve managers' ability to use overnight repo efficiently. Because cash is already recognized as an eligible reserve asset under the Act, allowing it to function as repo collateral would be consistent with the broader statutory framework and would better align the OCC's implementing regulations with current and evolving repurchase market structure, including centrally cleared models.

Clarifying that deposits and cash may serve as permitted collateral would also better support the practical use of overnight repo by PPSIs and by GENIUS-compliant MMFs. Because deposits and cash are already expressly recognized by the Act as eligible reserve assets, allowing them to function as repo collateral would not reduce protections for stablecoin holders; rather, it would align the statutory framework more closely with how modern repo markets operate while preserving access to an important source of short-term liquidity.

V. Redemption Requirements

Clarify what is Captured by the Term “All Fees”

The OCC should clarify what is captured by the term “all fees” in the Proposal's redemption-related disclosure requirements. It is unclear whether this phrase refers only to fees charged by the issuer or also to third-party fees such as network, custody, wallet, conversion, or distribution fees. Clarifying this point would improve comparability and consistency across issuer disclosures and reduce the risk that firms either over-disclose costs outside their control or under-disclose costs relevant to customers.

Additional clarity would also help avoid unintended behavioral responses to disclosure requirements. If issuers interpret “all fees” to include costs imposed by downstream intermediaries or network participants over which the issuer has no control or visibility, disclosures may become overly complex, inconsistent, or misleading to users. Conversely, if issuers limit disclosure to only issuer-charged fees absent clear guidance, holders may be surprised by material costs incurred through intermediated redemption pathways. Clarifying the scope of required fee disclosure, such as

¹⁶ “Should the provisions relating to repurchase agreements and reverse repurchase agreements be clarified? For example, should the OCC provide that deposits can serve as collateral for repurchase agreements? If so, what limitations, if any, should the OCC include with respect to the use of deposits as collateral?”

distinguishing between issuer-imposed fees and third-party fees that may vary by distribution channel, would enable more accurate, comparable, and decision-useful information for holders. This approach would support transparency while recognizing the operational reality that many redemption flows occur through custodians, wallet providers, exchanges, or payment rails with their own fee structures, and would reduce the risk that disclosure ambiguity itself undermines confidence in redemption mechanics.

Clarify the Calculation of “Timeliness” as Related to Redemption Requests

The OCC should also clarify that an issuer does not violate redemption timeliness when delays are caused by the issuer’s AML or sanctions obligations. For example, redemption requirements may be delayed, or if necessary, denied, when submitted by persons who trigger sanctions-related alerts or require enhanced KYC procedures, particularly if those persons do not provide additional information reasonably requested by the issuer in a timely manner. Consistent with the anti-evasion provisions in the GENIUS Act, the final rule should also make clear that issuers remain responsible for conducting those checks promptly and in a risk-based manner, such that AML and sanctions procedures should not be used as pretext by issuers to delay redemptions beyond the standard two-day period. In addition, the OCC should clarify how days are calculated in a market that operates continuously, including whether the measure should run from the time of request rather than by reference to an end-of-day convention.

Automatic Redemption Extensions Should be Removed

SIFMA does not support finalizing the provision that would automatically extend the redemption period to seven calendar days if redemption demands exceed 10 percent of outstanding issuance value in a 24-hour period. A bright-line rule of that kind could create an incentive for holders to redeem preemptively before the 10 percent threshold is reached, thereby worsening run dynamics rather than mitigating them.¹⁷ Examples such as the SEC’s Money Market Reforms, which eliminated redemption gate and liquidity fees for government and institutional prime money market funds, have shown how such mechanisms have created preemptive run incentives during periods of stress. The risk of preemptive redemptions may be more significant for payment stablecoins than for depositors at an insured depository institution given the public nature of many stablecoin contracts and that holders can see the value of outstanding stablecoins issued fluctuate in real-time. A better approach would rely on strong ex-ante liquidity planning, stress testing, and supervisory escalation triggers rather than on an automatic extension that may itself encourage destabilizing behavior.¹⁸

¹⁷ Securities and Exchange Commission, Money Market Fund Reforms, 88 Fed. Reg. 47664 (July 24, 2023) (final rule eliminating redemption gates and liquidity fees for government and institutional prime money market funds, finding that such mechanisms created preemptive run incentives during March 2020 stress)

¹⁸ Committee on Payments and Market Infrastructures and Board of the International Organization of Securities Commissions, *Principles for Financial Market Infrastructures* (Apr. 2012), Principle 7 (Liquidity Risk: FMI should effectively measure, monitor, and manage its liquidity risk and maintain sufficient liquid resources to effect same-day settlement).

If payment stablecoins are expected to function as money-like instruments at scale, the final rule should place primary emphasis on ex ante liquidity risk management rather than on a mechanical extension of redemption timing once stress has already materialized. In practice, PPSIs should be expected to manage liquidity risk through a framework more akin to bank liquidity risk management, including regular quantitative stress testing, robust liquidity buffers calibrated to realistic redemption and market stress scenarios, bespoke contingency funding plans, operational resilience playbooks, and clearly defined early warning indicators and escalation triggers. A framework centered on strong advance planning would better support payment continuity and market confidence than a rule that alters redemption timing only after large outflows have begun.

The OCC should also calibrate liquidity expectations to the speed at which a PPSI must be able to convert reserve assets into fiat in order for the instrument to operate credibly as a payment product.¹⁹ To the extent regulatory treatment elsewhere assumes that payment stablecoins can be monetized promptly and reliably, the final rule should recognize that the relevant liquidation horizon must be short. This supports a supervisory focus on immediate liquidity resources, realistic stress monetization assumptions, and operational capacity to process, screen, and settle redemptions under pressure.

If the OCC nevertheless retains a seven-day extension mechanism, that tool should be treated as an exceptional contingency measure rather than a routine feature of the redemption framework. At a minimum, invocation of an extension should be required to trigger prompt public disclosure and supervisory notification, and issuers should be required to maintain a graduated liquidity backstop plan designed to reduce the likelihood that an extension is needed in the first place. Such a plan could include prefunded liquidity resources, pre-positioned cash or cash equivalents, and other clearly documented contingency measures that can be mobilized rapidly without destabilizing reserve management.

Liquidity expectations may also be a key factor for payment stablecoins to operate as collateral in futures, swaps and options contexts. We encourage the OCC, together with the other banking regulators charged with implementing the GENIUS Act, to engage with CFTC and SEC on structural features that would render payment stablecoins ineligible or attract high haircuts and capital charges in these collateral contexts. At the very least, the final rule should be permissive enough to allow PPSIs that wish to do so to meet higher expectations of these markets, both in terms of redemption features and reserve asset composition. In the same vein, payment stablecoin terms that enable or improve their use in repurchase transactions should be supported.

¹⁹ 12 C.F.R. Part 249 (Regulation WW - Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards, and Monitoring); Federal Reserve Board, Liquidity Coverage Ratio Rule: Treatment of U.S. Treasury Securities and Other Factors (Oct. 10, 2014, 79 Fed. Reg. 61440)

Define the Consequences of Non-Timely Redemptions

The OCC should further clarify the consequences of a failure to satisfy a redemption request in a timely manner. The supervisory implications could vary substantially depending on whether the issue reflects an isolated operational incident, a broader liquidity shortfall, or some other category of failure. The final framework would benefit from greater transparency as to whether the relevant consequences would involve supervisory escalation, heightened capital expectations, penalties, approval consequences, or some other measure.

Greater specificity in this area would help ensure that supervisory responses are proportionate, well targeted, and well understood. For example, a temporary failure caused by an operational outage, third-party service disruption, systemic or temporary market dislocation regarding the underlying reserve assets, or settlement timing issue should be treated differently from a failure driven by inadequate liquidity resources or deficient reserve management. Likewise, recurring or systemic redemption failures may warrant fundamentally different consequences than a one-time incident that is promptly remediated. Explicitly distinguishing among these scenarios would promote clearer incentives for issuers to invest in operational resilience and contingency planning, while avoiding over-deterrence or uncertainty that could undermine market confidence. Clearer guidance would also assist firms in designing recovery playbooks and escalation procedures that align with supervisory expectations, rather than reacting to ambiguity through overly conservative or destabilizing behavior. A more transparent articulation of the supervisory toolkit, ranging from remediation or heightened monitoring through to capital adjustments or, in more severe cases, limits on activity or approval status, would improve predictability and support a more orderly and credible redemption regime.

Consider the Market Implications of Self-Liquidation

The OCC should also consider broader market effects if a PPSI is forced to self-liquidate. In stressed conditions, forced liquidation of short-dated Treasuries or related reserve instruments could have procyclical effects, transmitting pressure not only to the affected issuer but also to other issuers and adjacent funding markets.²⁰ The final rule should therefore take a more holistic view of the market implications of forced liquidation requirements.

In stressed conditions, the forced liquidation of short-dated Treasury securities, Treasury repos, or related reserve instruments could have procyclical effects by increasing selling pressure at precisely the moment market liquidity is most constrained. Reserve assets that are highly liquid under normal

²⁰ Federal Reserve Bank of New York, Treasury Market Liquidity During the COVID-19 Crisis (Oct. 23, 2020) (Liberty Street Economics); U.S. Department of the Treasury, Federal Reserve Board, Federal Reserve Bank of New York, U.S. Securities and Exchange Commission, and Commodity Futures Trading Commission, *Recent Disruptions and Potential Reforms in the U.S. Treasury Market: A Staff Progress Report* (Nov. 8, 2021)

conditions may become less so under systemic stress,²¹ and concentrated or simultaneous liquidation by multiple issuers could transmit price and funding pressures beyond the affected issuer. Such dynamics could impact not only other stablecoin issuers with similar reserve compositions, but also adjacent markets that rely on short-dated Treasuries and repo instruments for funding and collateral management.

These risks are particularly relevant where regulatory requirements or supervisory responses create common “cliff effects,” such as mandatory liquidation triggers tied to specific thresholds or timelines. If multiple PPSIs respond to stress by monetizing reserves in similar ways, the resulting demand for immediate liquidity could strain market infrastructure, widen spreads, and reduce the effectiveness of short-term funding markets that play a critical role in broader financial stability. A framework that focuses narrowly on issuer-level outcomes without considering these feedback loops may inadvertently undermine the resilience of the system it seeks to protect.

SIFMA therefore encourages the OCC to take a more holistic view of the market implications of forced liquidation requirements, particularly in stress scenarios. This could include greater reliance on forward-looking liquidity planning, stress testing, and operational backstops that allow issuers to meet redemption demands without immediately liquidating large volumes of reserve assets into stressed markets. It could also involve supervisory flexibility to distinguish between idiosyncratic issuer failures and broader market wide events, recognizing that different scenarios may warrant different tools and timelines. A more holistic approach does not require relaxing core reserve or redemption requirements. Rather, it calls for calibrating enforcement mechanisms and supervisory expectations in a way that supports orderly market functioning under stress. By recognizing the potential knock-on effects of forced liquidation and designing the framework to mitigate procyclicality, the OCC can better align the final rule with financial stability objectives.

The OCC should also consider whether, in at least some stress scenarios, a more orderly remediation path would prioritize halting new issuance, stabilizing operations, preserving redemption functionality to the extent possible, and coordinating supervisory remediation before requiring immediate reserve liquidation. An automatic liquidation response may not always be the least disruptive path, particularly where the underlying issue is operational, legal, or confidence-driven rather than a fundamental shortfall in reserve assets.

This point is especially important because there is no FDIC-style resolution backstop for PPSIs that would necessarily contain panic or limit spillovers once a forced liquidation process begins. A bright-line liquidation expectation could therefore accelerate destabilizing behavior by signaling that the issuer is entering a disorderly phase. The final framework should allow supervisory responses that are proportionate to the nature of the stress event and that seek first to preserve payment continuity and orderly market functioning where that can be done safely.

²¹ Federal Reserve Bank of New York, Treasury Market Liquidity and Early Lessons from the Pandemic Shock (Oct. 23, 2020); BIS Working Paper No. 966, The Treasury Market in Spring 2020 and the Response of the Federal Reserve (Oct. 19, 2021)

VI. Custody

Self-Custody of Reserve Assets Requires Strong Capital Requirements

Where a PPSI self-custodies reserve assets, the final rule should impose strong and clear capital requirements for the PPSI. Furthermore, the final rule should also require robust initial and ongoing due diligence for third-party custodians that are used by the PPSI. Self-custody presents legal, operational, cyber, governance, and key-management risks that may differ materially from those presented by third-party custody arrangements, even where the underlying assets are the same. Due diligence expectations for external custodians should be risk-based and should address legal segregation, control, operational resilience, sub-custody arrangements, and incident response.

In a self-custody model, the issuer assumes direct responsibility for private key management (for tokenized reserve assets), asset control, segregation, transaction authorization, and incident response. Failures in any of these areas can have immediate and irreversible consequences for reserve integrity and redemption capacity. Strong capital requirements are therefore a critical prudential complement to self-custody, providing a buffer against losses arising from operational incidents, cyber breaches, legal claims, or failures in internal controls. Clear, entity level capital expectations would help ensure that PPSIs choosing to self-custody reserve assets maintain sufficient loss absorbing capacity to support continuity of operations and protect stablecoin holders under stress.

At the same time, many PPSIs and FPSIs may be permitted by the Treasury²² to, combine self-custody with the use of one or more external custodians for portions of their reserve assets or operational workflows. In those cases, the final rule should require robust, risk based due diligence, both at onboarding and on an ongoing basis, for any third-party custodians engaged by the PPSI or registered foreign issuer. Due diligence expectations should be calibrated to the role and criticality of the custodian and should address, at a minimum, legal segregation and ownership protections, asset control mechanisms, operational resilience, cybersecurity controls, sub custody arrangements, and incident response capabilities. Ongoing monitoring is particularly important where reserve assets may be held through complex custody chains or sub custodial relationships. PPSIs should be expected to assess how third-party custodians manage downstream risks, maintain oversight of sub custodians, and respond to disruptions that could impair access to and the ability to timely liquidate reserve assets during a period of stress. Clear supervisory expectations in this area would help ensure that issuers cannot rely on nominal custody arrangements without understanding and managing the operational realities underpinning them.

Tailoring capital and due diligence expectations to custody choices would promote more transparent and risk sensitive structuring. PPSIs that choose, and FPSIs that are permitted by Treasury and choose to self-custody reserve assets would internalize the full prudential consequences of that

²² Section 18 of the GENIUS Act conditions an FPSI's ability to offer payment stablecoins in the U.S. on, among other things, the FPSI holding reserves sufficient to meet liquidity demands of U.S. customers at a U.S. financial institution, unless otherwise permitted under a reciprocal arrangement between the United States and the FPSI's jurisdiction.

decision, while PPSIs and registered foreign issuers relying on third-party custodians would be incentivized to select well capitalized, operationally resilient providers and to maintain rigorous oversight. In sum, clear capital requirements for self-custody combined with robust, risk based due diligence standards for third-party custodians would strengthen the resilience of the reserve framework, enhance supervisory clarity, and reduce the risk that custody-related weaknesses undermine confidence in payment stablecoin issuance. By explicitly addressing the differentiated risks associated with custody model choices, the OCC can better ensure that reserve assets remain secure, accessible, and protected across a range of issuer structures.

Clarify the Treatment of Cash Reserves

The OCC should make clear in the regulatory text that reserves in the form of cash are in all cases a deposit liability of the bank and can therefore not be held in custody in a manner that is bankruptcy remote from the assets of the bank. The lack of precision on this point could create confusion regarding how deposits are held, reported, and supervised, despite the fact that deposit accounts are already subject to a comprehensive prudential framework governing liquidity, capital, and resolution. Clear regulatory text confirming that cash reserves are always a deposit liability of the bank would align the final rule with traditional banking mechanics and reduce unnecessary operational uncertainty for issuers and custodians alike and align with the FDIC's proposed GENIUS Act regulations which indicate that "deposits held as reserves" are "corporate deposits of the PPSI, . . . aggregated with other corporate deposits maintained by the PPSI at the same IDI and insured for up to the . . . [standard maximum deposit insurance amount], currently \$250,000". SIFMA therefore recommends that the OCC work with other banking agencies and relevant state regulators to ensure that the correct understanding of cash as a deposit liability of the bank is recognized and consistently applied regardless of the custodian's charter type and responsible supervisory authority.

The OCC Should Clarify that Custody and Control Concepts are Not Intended to Conflict with Other Applicable Legal and Regulatory Frameworks

The OCC should clarify that the custody, possession, and control concepts used in the final rule are not to be interpreted to alter or supersede the otherwise applicable rights and obligations of a custodian under OCC, SEC, or other applicable regulations. Absent such clarification, firms operating across banking, custody, and broker-dealer models may face regulatory uncertainty as to whether materially similar asset-segregation and control arrangements are being judged by inconsistent standards.

This issue is particularly important for institutional custody models and for groups that include both bank and broker-dealer entities. Misalignment across regimes could create legal uncertainty, duplicative compliance burdens, and operational friction in circumstances where firms are attempting in good faith to maintain robust segregation, control, and recordkeeping. The final rule should therefore

make clear that it is not intended to disturb the settled operation of other applicable frameworks absent a clear and specific statement to the contrary. For example, the final rule should include a safe harbor which indicates that a bank-custodian is deemed to satisfy the requirement to protect covered assets from the claims of the custodian's creditors (whether imposed under the GENIUS Act's customer-property requirement in Section 10(b)(2) or under similar requirements as required by another regulator identified in GENIUS Act Section 10(a)(2)) if the custodian has practices of not reporting custodied assets (other than deposits at the custodian) on the custodian's own balance sheet, and notifying the issuer, if permitted by law, when the custodian receives a claim against covered assets asserted by someone other than the issuer or the issuer's authorized representative.

SIFMA recommends that the OCC coordinate with the SEC and FINRA, as appropriate, on custody definitions, segregation standards, and recordkeeping expectations²³ that affect common institutional custody arrangements. Greater interagency alignment would reduce the risk of inconsistent outcomes across regimes and would better support coherent supervision of firms participating in both securities and payment stablecoin markets.

Clarify What is Meant by "Payment Stablecoins Used as Collateral"

The OCC should clarify what is meant by "payment stablecoins used as collateral" and should calibrate custodian expectations to recognize that a client transferring stablecoins into custody may not indicate whether the assets are being used as collateral. Payment stablecoins may be held in custody for a wide range of purposes, including safekeeping, settlement, operational convenience, or pending transaction flows, and custodians are often not positioned to infer the economic function of the assets based solely on their presence in a custodial account. Ambiguity around collateral usage could therefore introduce unnecessary compliance risk and operational friction for custodians that are providing standard custody or safekeeping services.

In many market structures, the determination of whether assets are being used as collateral arises from contractual arrangements between the asset owner and a third party, rather than from the custody relationship itself. A custodian holding stablecoins on behalf of a client may not have visibility into such arrangements, particularly where collateralization occurs off platform, through bilateral agreements, or within a broader trading or financing arrangement managed by another intermediary. Expecting custodians to independently identify or monitor collateral usage could therefore go beyond their traditional role and require access to information that may not be available or appropriate for them to obtain.

Without greater clarity, custodians may feel compelled to apply heightened controls or restrictions to stablecoins simply because they could be used as collateral, even where there is no indication that they are being pledged or encumbered. This could result in conservatism that is not risk based and that differs from how custodians treat other fungible digital or financial assets held in similar custody

²³ 17 C.F.R. § 275.206(4)-2 (SEC Custody Rule – Investment Advisers Act); 17 C.F.R. § 240.15c3-3 (Customer Protection Rule for Broker-Dealers)

arrangements. Clearer definitional guidance would help ensure that custodial obligations are appropriately aligned with the custodian's actual role and risk exposure. For example, OCC regulations could indicate that payment stablecoins held by a custodian will not be deemed to be "payment stablecoins used as collateral" unless the custodian is party to a control agreement among the custody customer, the custodian, and the secured party. Such a rule would fit with market expectations and provide custodians with a simple way to know whether custodied payment-stablecoins are, or are not, collateral. Clarifying this distinction would promote operationally workable custody standards, reduce unnecessary compliance burdens, and help avoid divergent supervisory interpretations across institutions. More importantly, it would ensure that custodial safeguards focus on risks the custodian can reasonably manage, such as segregation, safekeeping, and asset control, while avoiding expectations that require inference about a client's downstream use of assets. In doing so, the OCC can strengthen the effectiveness and credibility of the custody framework while supporting continued bank participation in stablecoin related custody and settlement activities.

The OCC should also clarify, in conjunction with the FDIC and Federal Reserve and to the extent consistent with the statute and other applicable regulatory frameworks, whether payment stablecoins may be treated as financial collateral for credit risk mitigation purposes when they are pledged or otherwise used in bona fide collateral arrangements. That question is distinct from ordinary custody or payment activity and should not be left to implication. Clear treatment would help avoid uncertainty for banks, custodians, and counterparties that may encounter payment stablecoins in secured financing, margin, or other credit support contexts.

Relatedly, the final rule should clearly distinguish between payment transfers and collateral arrangements. A transfer of payment stablecoins into or through a custodial environment should not be presumed to reflect a pledge, encumbrance, or collateral use absent a clear legal or contractual basis for that conclusion. Without such clarity, routine payment activity could be misclassified in a way that introduces downstream compliance burdens, disrupts payment flows, and creates unnecessary friction for ordinary custody and settlement activity.

Custodians Should be Permitted to Maintain Both Internal and External Omnibus Accounts for Covered and Non-Covered Assets and Customers, and the OCC Should Clarify the Distinction Between These Structures in the Final Rule

The final rule should both clarify the distinction between the two principal types of "omnibus account" used in custodial practice and permit custodians to maintain both structures for covered and non-covered assets and customers, subject to appropriate control and recordkeeping standards. As used in the Proposal, the term "omnibus account" could refer to two distinct custodial structures. The first is an internal omnibus account at the custodian, in which a custodian holds assets belonging to multiple underlying customers in a single account on its own books, with individual customer entitlements tracked on the custodian's sub-ledger. The second is an external omnibus account maintained by the custodian at

a market utility or sub-custodian. These are fundamentally different structures, raising different prudential concerns and calling for different regulatory treatment. The OCC should clarify the terminology used in the final rule, and in any accompanying guidance, to address the two structures separately and to make clear that both remain permissible under appropriate conditions.

Internal omnibus accounts at the custodian: The final rule should permit custodians to maintain covered and non-covered assets, for covered and non-covered customers, in omnibus accounts so long as the custodian can control the assets and maintain records sufficient to identify and legally segregate which assets are covered assets and which customers are covered customers. A categorical prohibition on internal omnibus structures would introduce unnecessary operational friction without meaningfully improving customer protection where adequate control and recordkeeping exist. Requiring strict asset-by-asset or customer-by-customer segregation in all cases would significantly increase operational complexity, fragment custody relationships, and raise costs for issuers and custodians alike, without delivering commensurate safety and soundness benefits. The core prudential objective is not the form of the account structure, but the custodian's ability to demonstrate control and legal segregation over the assets and to accurately identify beneficial ownership at all times.

If properly designed, internal omnibus arrangements support strong customer protections. Custodians routinely operate sub-ledger accounting systems, daily reconciliation processes, and internal controls that allow them to identify which assets belong to which customers and to distinguish covered assets from non-covered assets, even where those assets are co-mingled operationally. These controls are already a supervisory expectation in other custodial contexts and can be leveraged for stablecoin and reserve asset custody without requiring the elimination of standard market structures. The OCC should make clear that such arrangements are appropriate only where traceability, accountability, and error-resolution processes are demonstrably robust. In particular, the custodian should be able to identify on a timely basis which assets belong to which customers, which assets are covered assets, which party bears responsibility for operational errors, and how mistaken transfers or allocation disputes will be resolved. Without these safeguards, omnibus structures could increase operational risk even if they offer efficiency benefits.

External omnibus accounts at market utilities and sub-custodians: The final rule should also preserve, without modification, established bank practice with respect to external omnibus accounts maintained by custodians at higher-tier market utilities, clearing agencies, sub-custodians, and comparable institutions. Applying a segregation mandate at this level would make institutional custody operationally impossible and would create direct conflicts with the established rules of U.S. and foreign market infrastructure. The appropriate safeguards for external omnibus accounts are the rules of the relevant market utility combined with the custodian's position-reconciliation controls, which are already subject to existing prudential supervision. The OCC should confirm that the Proposal does not disturb these established arrangements and should clarify the final rule to eliminate any ambiguity on this point.

Cross-border and multi-custodian considerations. Prohibiting or limiting either form of omnibus custody could also have unintended consequences for cross border and multi custodian frameworks, where omnibus models are often necessary to accommodate differing local market practices, settlement systems, and sub-custodial chains. Applying a rigid segregation mandate could discourage global custodians from offering stablecoin custody services or push activity toward less transparent or less well-regulated arrangements, contrary to the OCC's stated objectives. A flexible approach that permits both internal and external omnibus structures while enforcing strong control and recordkeeping standards better aligns with operational realities and supervisory goals.

SIFMA therefore recommends that the OCC (i) clarify the terminology used in the final rule to distinguish between internal omnibus accounts at the custodian and external omnibus accounts maintained by the custodian at higher-tier market utilities or sub-custodians; (ii) endorse the use of internal omnibus accounts for covered and non-covered assets and customers, subject to outcomes-based expectations focused on control, accurate records, reconciliation, and auditability, rather than imposing categorical structural prohibitions. This approach preserves established custody practices where they already achieve the underlying prudential objectives, supports consistent customer protection, and avoids unnecessary disruption to custody operations that are integral to the functioning of payment stablecoin and reserve asset ecosystems.

On-chain transaction fees ("gas fees"): SIFMA also recommends that the OCC consider how gas fees would be treated in custodial contexts. In some cases, a custodian may agree to pay gas fees for customers to the extent that any reserve assets are tokenized assets. In these scenarios, the custodian would need to operationally commingle its proprietary assets with the tokenized reserve assets to pay gas fees. The final rule should confirm that this limited operational commingling, undertaken solely to facilitate on-chain transactions on behalf of customers, is permissible.

Additional Obligations Should not be Imposed upon Custodians

SIFMA does not believe the OCC should require every custody agreement between a covered custodian and a PPSI or registered foreign issuer to provide for prompt release of custodied covered assets to the customer's control.²⁴ That should remain a matter for commercial agreement between the parties, taking account of settlement practices in various financial markets, the relevant service model, negotiated terms, and any legitimate lien or protection arrangements. A universal regulatory mandate for prompt release could cut across valid business arrangements without a commensurate prudential benefit.

Furthermore, the OCC should not impose additional, distinct reporting obligations on custodians. To the extent the OCC needs institution-specific information from custodians, it should seek to align those requests with existing reporting channels, such as Call Reports where applicable, and avoid creating additional or duplicative standing obligations. The issuer, not the custodian, generally has the clearest

²⁴ 12 C.F.R. Part 9 (Fiduciary Activities of National Banks); OCC Comptroller's Handbook: Custody Services (Jan. 2002) (safety and soundness standards for asset segregation, client ownership, and fiduciary duties)

view of reserve composition across multiple custodians and structures and should therefore be subject to any incremental reporting requirements. Furthermore, the OCC should clarify that the PPSI is responsible for the monitoring of reserve assets for compliance with the rule, and the pricing of assets at fair market value.

VII. Operational Backstop and Capital Requirements

The OCC Should Clarify the Expected Insolvency and Bankruptcy Treatment of Reserves

The Proposal would benefit from greater clarity regarding the expected insolvency and bankruptcy treatment of payment stablecoin reserves, should those reserves be self-custodied by a PPSI or held with a non-bank entity, and the legal effectiveness of custodial segregation in the event of a PPSI's failure. While the Proposal includes detailed requirements relating to reserve asset segregation and custody, it does not explicitly address how those arrangements are expected to operate under PPSI bankruptcy, resolution, or liquidation scenarios.

The OCC should clarify that custodians are in no way bound to interact with or owe a direct obligation to any individual coin holder. As with the treatment of individual mutual fund holders in an insolvency, a custodian's obligations should be limited to dealing only with a court-appointed administrator or the contracted client (if applicable).

The Capital Treatment of Third-Party Payment Stablecoin Exposures Should be Clarified

The banking agencies should clarify the capital treatment of third-party payment stablecoin exposures and other crypto-asset exposures held by banking organizations. As payment stablecoins and related services are increasingly integrated into the activities of banks and other prudentially supervised institutions, banks may be exposed to these instruments in a variety of capacities, without being the issuer of the stablecoin itself. Absent clear guidance, banks may face uncertainty as to how these exposures should be reflected for capital purposes, particularly where existing frameworks do not map cleanly onto new stablecoin-related activity. Greater clarity would promote more consistent treatment across the system by anchoring capital requirements to the actual risk characteristics of the exposure rather than the novelty of the underlying technology or business model. Explicit guidance would help ensure that similar activities are treated similarly across institutions.

Capital clarity would also support better alignment across prudential regimes and reduce the risk of fragmentation between issuer-facing rules and bank capital standards. Where banks hold third-party payment stablecoin exposures or other crypto-asset exposures in comparable ways, capital treatment should be coherent across agencies and consistent with how similar risks are treated elsewhere in the

regulatory framework, e.g., via a look through to the underlying reserve assets.²⁵ Ultimately, clarifying the capital treatment of third-party payment stablecoin and other cryptoasset exposures would strengthen the overall stability of the system by ensuring that banks can engage in these activities with a clear understanding of supervisory expectations. This clarity would support consistent capital outcomes, enhance risk transparency, and allow banks to operate within a well-defined and risk sensitive prudential framework.

The OCC Should Not Apply the 20 Percent Capital Floor Under 12 CFR 3.53(a)(1) to MMFs Held as Reserve Assets

The final rule should confirm that the 20 percent minimum haircut under 12 CFR 3.53(a)(1) does not apply to qualifying MMF interests held as reserve assets. Applying the 20% haircut from 12 CFR 3.53(a)(1) in these circumstances would penalize issuers for using a regulated fund vehicle whose risk characteristics the statute has already determined to be appropriate for reserve composition. This would create an unwarranted capital and concentration disincentive against an asset class Congress expressly authorized, without any corresponding prudential benefit. Capital and concentration requirements should be calibrated to actual risk exposure, and the existing MMF regulatory framework, together with the GENIUS Act's eligibility conditions, already ensures that exposure is appropriately bounded.

The OCC Should Consider How Capital Requirements are Applied to Quickly Scaling PPSIs

The operational backstop²⁶ should be calculated with a forward-looking component so that it can better reflect the needs of issuers that may scale quickly. The purpose of the operational backstop is to ensure continuity of critical functions, orderly redemptions, and resilience in the face of operational stress (e.g., cyber incidents, fraud, technology failures, or wind-down costs) rather than absorb traditional credit losses.²⁷ To be effective, this safeguard must be calibrated to an issuer's expected operational footprint,²⁸ not solely its historical expense base.

Payment stablecoin issuers may experience rapid growth in outstanding liabilities, transaction volumes, and operational demands over relatively short periods of time. A purely backward-looking measure of operating expenses risks materially understating the resources required to sustain operations

²⁵ For more on the appropriate prudential treatment of third-party payment stablecoin exposures, please see letter from GFMA et al. to the Basel Committee on Banking Supervision, *Recalibration of the Cryptoasset Exposures Standard (SCO60)* (Aug. 19, 2025), <https://www.gfma.org/wp-content/uploads/2025/08/bcbs-prudential-letter-final-public-version.pdf>.

²⁶ GENIUS Act § 4(h), 12 U.S.C. § 5903(h) (operational backstop requirement: payment stablecoin issuers must maintain capital resources sufficient to cover operational continuity, cyber incidents, fraud, technology failures, and orderly wind-down)

²⁷ Basel Committee on Banking Supervision, *Basel III: Finalising Post-Crisis Reforms - Operational Risk* (Dec. 2017, revised Dec. 2023); 12 C.F.R. Part 3, Subpart E (OCC Capital Adequacy Standards - Operational Risk)

²⁸ Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation, *Interagency Paper on Sound Practices to Strengthen Operational Resilience* (Oct. 30, 2020) (SR Letter 20-24)

and support redemptions during stress, particularly for newer or fast-growing issuers whose historical costs may not reflect their near-term scale, complexity, or risk profile. SIFMA therefore recommends that the OCC clarify how operating expenses should be measured for newer or rapidly scaling issuers and ensure that the operational backstop framework remains risk-based and scalable over time.

Incorporating a forward-looking element, such as projected expenses, credible growth plans, or expected increases in operational capacity, would better align the backstop requirement with its underlying resilience objective. A forward-looking calibration can reduce the risk of procyclical adjustment. Absent such an approach, issuers may be forced to raise backstop resources reactively, such as during periods of rapid scale-up or market stress, rather than building appropriate buffers in advance. Incorporating reasonable projections into the calculation would support more orderly planning, enhance operational resilience, and better protect stablecoin holders.

The OCC Should Clarify how Expenses Would be Considered “Reasonable” for De Novo PPSIs

The OCC should clarify how it will determine whether projected or expected expenses are reasonable, particularly for de novo issuers that do not yet have a meaningful operating history. Additional guidance on the categories of expenses that should be included, such as technology, compliance, staffing, third-party services, reserves for liability, and contingency funding, would make the requirement more workable and more consistently applied.

Without clearer supervisory guidance, issuers and examiners may reach inconsistent conclusions regarding the adequacy of projected expense assumptions, undermining the predictability and workability of the operational backstop framework. Providing greater transparency into how the OCC will evaluate forward looking expense projections would help ensure that the requirement is applied in a consistent and risk sensitive manner across issuer types and business models. For example, the OCC could clarify the role of business plans, growth projections, stress scenarios, and board approved budgets in assessing whether projected expenses reasonably support continuity of operations under adverse conditions. Clearer expectations would be particularly important for issuers experiencing rapid scaleup, where projected costs may materially diverge from recent historical spending but nonetheless represent prudent planning for operational resilience.

In addition, SIFMA recommends that the OCC provide more explicit guidance on the categories of expense that should be included in calculating the operational backstop. Clarifying the scope of covered expenses, such as technology and infrastructure costs, cybersecurity and fraud mitigation, compliance and regulatory engagement, staffing and third-party service providers, reserves for legal or contractual liabilities, and contingency funding for incident response or winddown planning, would reduce uncertainty and improve comparability across firms. Absent such clarity, issuers may take divergent approaches to expense categorization, resulting in either under or overinclusion of costs that are central to operational resilience.

This guidance would also help ensure that backstop resources are appropriately comprehensive and not narrowly focused on day-to-day operating expenses, while still remaining distinct from reserve assets backing stablecoin liabilities. The operational backstop is intended to support continuity of critical functions and orderly redemptions during stress, including scenarios involving technology failures, cyber incidents, or the need for an orderly cessation of operations. Explicit recognition of these expense categories would better align the requirement with its underlying policy objective.

The OCC Should Clarify that the Operational Backstop is Required to be Funded by Capital

The OCC should clarify that the operational backstop must be funded with capital rather than debt. A backstop intended to ensure continuity under stress should be composed of resources that are genuinely loss absorbing and reliably available when markets tighten, rather than resources that may be subject to refinancing risk, covenant pressure, or withdrawal at the point of stress.

Debt-funded resources, including intercompany loans or external borrowing facilities, may appear available in normal conditions but can prove unreliable in periods of market dislocation, heightened redemption activity, or groupwide stress. Funding markets may become constrained, affiliates may prioritize their own liquidity needs, and contractual borrowing arrangements may be suspended or repriced precisely when the issuer needs resources most. Reliance on such instruments would therefore introduce fragility into a framework that is meant to support continuity of critical operations during disruption.

By contrast, capital, whether in the form of equity or retained earnings, provides a stable, subordinated buffer that does not depend on continued market access or third-party willingness to lend. This distinction is particularly important given the payment like features of stablecoins and the potential for rapid, concentrated redemption demand. Operational backstops are not intended to fund growth or routine business expansion, but to absorb shocks arising from operational failures, cyber incidents, fraud, legal liabilities, or winddown expenses without impairing reserve assets backing stablecoin liabilities. Ensuring that these buffers are capital based better aligns the requirement with that objective.

PPSIs Should be Required to Conduct Capital and Liquidity Stress Tests

PPSIs should also be required to conduct capital and liquidity stress testing, adopt written liquidity plans, and maintain recovery and resolution plans that are commensurate with the payment-like features of stablecoins. Stress scenarios should include rapid redemption episodes, operational outages, and market-wide shocks affecting the ability to monetize reserve assets. Recovery and resolution planning would support more orderly responses to stress and reduce the risk that an issuer's difficulties are transmitted abruptly to customers or markets.

Payment stablecoins are designed to function as transactional instruments and may therefore be subject to rapid, confidence driven redemption behavior more akin to payment products than traditional investment vehicles. Prudential safeguards should reflect this dynamic by explicitly testing an issuer's ability to withstand severe but plausible stress scenarios without disrupting redemptions or impairing reserve assets.

Capital and liquidity stress testing should be calibrated to payment run-off dynamics and should include scenarios such as sudden and concentrated redemption episodes, operational outages affecting issuance or redemption functionality, litigation losses, fines and penalties, and market-wide shocks that impair the issuer's ability to monetize reserve assets in an orderly manner. These scenarios should reflect both idiosyncratic stress at the issuer level and broader systemic disruptions, including stressed conditions in repo markets, settlement systems, or key third-party service providers. Incorporating these factors would allow supervisors and issuers to better assess whether available liquidity resources, operational backstops, and governance arrangements are sufficient under adverse conditions. Written liquidity plans should complement stress testing by setting out clear strategies, escalation protocols, and governance processes for managing liquidity under stress. Such plans should address how the issuer would meet elevated redemption demand, prioritize liquidity sources, access operational backstop resources, and coordinate actions across internal functions and relevant affiliates.

In addition, contingency planning would provide an important safeguard against disorderly outcomes in extreme stress scenarios. Such plans should identify credible actions the issuer could take to restore financial and operational viability following a shock, while contingency plans should outline how critical functions, particularly redemption processing and safeguarding of reserve assets, would be maintained during an orderly winddown. Given the customer facing and payment related nature of stablecoins, well-designed planning can help ensure continuity of service, reduce uncertainty for holders, and limit the risk that an issuer's difficulties transmit abruptly to customers, counterparties, or markets.

Ensure PPSI Prudential Standards Are Not Circumvented Through Intragroup Arrangements

Many PPSIs, particularly those that are part of larger corporate or financial groups, will rely extensively on shared services, intragroup outsourcing arrangements, affiliate-provided infrastructure, and affiliate liquidity support for essential operational and financial functions. While such arrangements are often legitimate, subject to existing regulation, and efficient, they can also transmit risk within a group, obscure the true location of resources and dependencies, and undermine the effectiveness of the PPSI prudential requirements if not subject to clear limits, expectations, and governance. Without clearly defined parameters, such arrangements may allow firms to rely implicitly on discretionary affiliate support rather than maintaining credible self-supporting resources — precisely the risk that PPSI capital, liquidity, and operational backstop requirements are designed to prevent. SIFMA recommends that the final rule address this concern through a coordinated set of clarifications across three areas: the scope of the

operational backstop, the standards applicable to PPSI-affiliate transactions, and the treatment of intraday affiliate liquidity facilities.

Operational Backstop Look-Through

The final rule should guard against evasion by ensuring that the operational backstop captures material expenses necessary to maintain the PPSI's operations even if those costs are booked to affiliates or otherwise placed off balance sheet. If costs associated with technology, cybersecurity, compliance, customer support, treasury, and other essential functions are booked at the affiliate level, a narrow application of the backstop requirement could materially understate the true resources required to maintain operations during stress. Without clear anti-evasion guardrails, a corporate group could shift key operational costs away from the PPSI and thereby understate the liquid resources needed to sustain operations in a disruption.

To address this risk, SIFMA recommends that the OCC clarify that the operational backstop should "look through" material service arrangements and capture expenses that are essential to the PPSI's continued operation, regardless of where those expenses are recorded for accounting purposes. This would not require duplicative capitalization of the broader corporate group but rather would ensure that the issuer itself has access to sufficient liquid resources to fund critical services if affiliate support is disrupted, repriced, or withdrawn during stress. Anti-evasion safeguards can be implemented in a targeted and principles-based manner—for example, by focusing on expenses associated with services that are operationally critical to stablecoin issuance, custody, reserve management, redemption processing, and compliance, while excluding discretionary or non-core group functions. By ensuring that required resources reflect the PPSI's true operational dependencies, the OCC can better ensure that the backstop performs its intended function during stress, rather than serving as a formalistic requirement susceptible to circumvention.

Structured Indicators for PPSI-Affiliate Transactions

While some flexibility is appropriate, firms and examiners would benefit from more concrete guidance or thresholds that draw on both qualitative and quantitative indicators, including transaction size, frequency, pricing, concentration, and governance approvals. Absent clearer standards, determinations of whether transactions or arrangements are appropriate may rely too heavily on ex-post supervisory judgment, creating uncertainty for firms seeking to design compliant operating models and increasing the risk of inconsistent application across similarly situated issuers.

Providing a structured set of indicators would help anchor supervisory assessments in observable, risk-relevant factors. For example, transaction size and frequency can help distinguish routine operating arrangements from outsized or unusual exposures, while pricing benchmarks can indicate whether services are provided on arm's length terms or embed implicit support. Concentration metrics can illuminate dependencies on affiliates or service providers that may pose resiliency concerns under stress. Governance related factors, such as board approval, independent review, and escalation mechanisms, can further demonstrate whether arrangements are subject to appropriate oversight and

risk management. These indicators need not operate as rigid brightline rules. Instead, they could function as guideposts that inform both firm compliance efforts and supervisory review, allowing context specific judgment while still promoting greater predictability.

Clearer guidance in this area would also level the playing field between bank affiliated and nonbank PPSIs. Institutions with longstanding experience navigating affiliate transaction rules and supervisory scrutiny may be better positioned to interpret open-ended standards, while newer or standalone issuers may face greater uncertainty. Establishing a common set of evaluative factors would reduce this asymmetry and support more consistent supervision across the market, while keeping the supervisory focus on arrangements that present genuine safety, soundness, or resilience concerns rather than routine and well-governed operational practices.

Regulation W-Type Framework for Intraday Affiliate Facilities

Intraday affiliate facilities can be operationally important, but they can also transmit risk within a group if not subject to clear limits, collateral expectations, and escalation procedures. In many payment and settlement contexts, intraday liquidity support plays a legitimate role in facilitating timely redemptions, managing settlement timing mismatches, and supporting smooth day-to-day operations. At the same time, intraday facilities can become a channel for contagion if they are relied upon as a substitute for standalone liquidity or if their terms are unclear, unsecured, or effectively open-ended. In periods of stress, heavy dependence on affiliated intraday credit can rapidly transmit liquidity pressure across entities, obscure the true location of risk, and complicate supervisory assessments of a PPSI's independent resilience.

Applying a Regulation W-type framework to intraday affiliate facilities would provide a familiar and well-understood prudential model while still allowing appropriately structured liquidity support.²⁹ A Regulation W style approach, grounded in limits on exposure size, collateralization, arm's length pricing, and robust governance, would help ensure that intraday facilities are used as genuine operational tools rather than as a mechanism for shifting or concentrating risk within a group. Such a framework would also promote transparency by making explicit the conditions under which affiliate support is available and the degree to which a PPSI is dependent on it. Clear supervisory expectations around collateral, haircuts, duration, and escalation would further strengthen this approach - for example, defining when intraday credit must be collateralized, establishing caps relative to capital or liquidity resources, and requiring documented contingency plans if facilities are not renewed. This would not preclude firms from using intraday affiliate liquidity where it is operationally appropriate; rather, it would align such use with longstanding prudential principles designed to manage intragroup exposures, protect regulated entities, and reduce the risk that stress at one entity cascades across a financial group.

²⁹ Although SIFMA has elsewhere noted that the Proposal's general affiliate transaction framework borrows the form of Regulations O and W without their substantive specificity, intraday liquidity facilities are a discrete category for which Regulation W's quantitative limits, collateralization standards, and arm's-length pricing requirements are directly applicable and have a long supervisory track record.

Taken together, these three clarifications would strengthen the PPSI prudential architecture against specific ways in which intragroup arrangements might circumvent its requirements. In the context of payment stablecoins, where holder confidence, liquidity, and operational continuity are paramount, the final rule should ensure that required resources reflect the PPSI's true operational dependencies, and that affiliate support complements rather than substitutes for robust capital, liquidity, and operational backstop resources.

Capital Requirements Should be More Sensitive to the Higher Risks Presented by Issuers that Engage in a Broader Range of Activities

A more risk sensitive capital framework would better reflect that PPSIs engaging in a broader set of activities may present greater operational, legal, or market risk than narrowly focused issuers. PPSIs are not a monolithic category, some issuers are structured around a relatively simple business model focused on “plain vanilla” issuance, redemption, and conservative reserve management, while others may engage in a wider range of functions, such as proprietary technology development, complex custody or settlement arrangements, expanded use of third-party service providers, or ancillary activities that increase legal and operational complexity. Treating these models identically for capital purposes risks misaligning capital requirements with the actual risk profile of the issuer.

A risk sensitive approach would allow capital expectations to scale appropriately with the breadth and complexity of an issuer’s activities. PPSIs with more complex operational structures, greater reliance on third parties, or higher exposure to legal, compliance, or technology risk may reasonably warrant higher capital buffers to absorb potential losses and support continuity of operations.³⁰ Conversely, narrowly focused issuers that limit their activities to straightforward issuance and reserve management should not be required to hold capital against risks they do not meaningfully generate.

Risk sensitivity would also reduce incentives to house higher risk activities within entities subject to a capital framework designed primarily for plain vanilla issuance and reserve management. Absent differentiated treatment, firms may be encouraged to structure or migrate more complex or riskier activities into PPSIs simply because the capital framework does not adequately capture those risks. Such arbitrage would run counter to safety and soundness objectives by concentrating higher risk functions within entities that are capitalized for a much narrower risk set. A more risk sensitive framework would help ensure that capital levels continue to track economic substance rather than organizational labeling.

Importantly, risk sensitivity does not require bespoke capital rules for each issuer. The OCC could instead articulate a scalable framework that links capital requirements to objective indicators such as the scope of permitted activities, operational dependencies, legal structures, and risk management

³⁰ SIFMA recommends that any adjustments due to complexity should focus solely on the complexity of the PPSI itself and its subsidiaries, and not on the broader complexity of affiliates or parent entities (though any analysis that did consider affiliates and / or parents would need to consider the type of regulatory oversight they are subject to).

complexity. Finally, a differentiated capital approach would promote parity and fairness across issuer types while discouraging inefficient or opaque structuring. By aligning capital requirements more closely with operational and risk realities, the OCC can strengthen the credibility of the PPSI regime, reduce incentives for regulatory gaming, and better ensure that capital buffers serve their intended purpose of supporting resilience and continuity in the stablecoin ecosystem.

There Should be Parity Between PPSIs And Non-PPSI Banking Organizations in Respect of the Capital Treatment of Non-Payment Stablecoin Crypto-Asset Exposures.

Comparable nonpayment stablecoin crypto asset exposures should not receive materially different prudential treatment solely because they are held by a PPSI rather than another banking organization, absent a clear, risk-based justification. Capital requirements should be driven by the economic risk characteristics of an exposure, such as market risk, liquidity risk, operational complexity, and legal uncertainty, rather than by the legal status or labeling of the entity holding it. Where a PPSI and a non-PPSI banking organization hold economically equivalent nonpayment stablecoin crypto asset exposures, materially different capital outcomes would be difficult to justify from a safety and soundness perspective.

Absent parity, capital outcomes may diverge for economically equivalent activities, creating inconsistencies across the prudential framework and weakening its credibility. Differential treatment that cannot be traced to objective differences in credit, market, operational, or legal risk may encourage institutions to restructure activities based on capital treatment rather than sound risk management considerations. Parity would also help avoid distorted structuring incentives and better align capital requirements with underlying economic risk. If comparable nonpayment stablecoin crypto asset exposures attract meaningfully different capital requirements depending solely on whether they sit inside or outside a PPSI, firms may be incentivized to concentrate higher risk activities within entities subject to more permissive capital treatment. This form of regulatory arbitrage could undermine the GENIUS Act's objective of promoting resilience and clarity in stablecoin related activities by encouraging risk migration rather than risk mitigation.

Ensuring consistent capital treatment across PPSIs and non-PPSI banking organizations would instead reinforce supervisors' ability to assess risk on a like-for-like basis and promote more transparent organizational choices. Firms would be encouraged to locate activities where they can be most effectively governed and managed, rather than where capital rules happen to be least restrictive. Where a PPSI's structure, governance, or activity mix gives rise to demonstrably different risk characteristics, tailored capital treatment may be appropriate. But such differentiation should be made explicitly, based on clearly identified risks, and applied consistently across the prudential framework. Aligning capital outcomes with economic substance in this way would strengthen supervisory coherence, reduce incentives for capital arbitrage, and better ensure that capital buffers perform their intended role of absorbing losses and supporting continuity under stress.

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SIFMA appreciates the OCC'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 Micah Smith (msmith@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".

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