

MEMO

TO: Board of Directors

FROM: Alfred L. Seivold
Acting Senior Deputy Director, Division of Complex Institution Supervision and Resolution

CONCUR: Matthew P. Reed
General Counsel

DATE: April 7, 2026

RE: Notice of Proposed Rulemaking on GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions

RECOMMENDATION

Staff recommends the FDIC's Board of Directors (Board) authorize publication of the attached Notice of Proposed Rulemaking (proposed rule) in the *Federal Register* with a 60-day comment period. In accordance with the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act or Act),¹ the proposed rule would implement requirements for FDIC-supervised permitted payment stablecoin issuers (PPSIs), including requirements related to maintaining reserve assets, redemption, risk management, and capital. The proposed rule would also implement requirements for FDIC-supervised PPSIs and insured depository institutions (IDIs) that provide payment stablecoin-related custodial and safekeeping services (collectively, FDIC-supervised custodians). The proposed rule would clarify that deposits held at an IDI that serve as payment stablecoin reserves would not be insured to payment stablecoin holders on a pass-through basis and would address the treatment of tokenized deposits under the Federal Deposit Insurance Act (FDI Act).²

BACKGROUND

The GENIUS Act, enacted on July 18, 2025, directs the FDIC and the other primary Federal payment stablecoin regulators to implement regulations that establish a Federal payment stablecoin regulatory framework for PPSIs approved to issue payment stablecoins. The proposed rule is the FDIC's second proposed rulemaking pursuant to the GENIUS Act. The FDIC issued a notice of proposed rulemaking in December 2025 to establish application procedures for insured State nonmember banks and State savings associations (FDIC-supervised IDIs) to

¹ See Pub. L. No. 119-27, 139 Stat. 419 (codified at 12 U.S.C. 5901 – 5916).

² 12 U.S.C. 1813(l), (m).

request approval to issue payment stablecoins through a subsidiary.³ As the primary Federal payment stablecoin regulator of PPSI subsidiaries of FDIC-supervised IDIs, the FDIC is now issuing this proposed rule to implement certain GENIUS Act requirements.

The proposed rule would implement GENIUS Act requirements for FDIC-supervised PPSIs and FDIC-supervised custodians, including provisions related to reserve assets, activities, disclosures, and capital, liquidity, and risk-management requirements and standards for FDIC-supervised PPSIs⁴; provisions regarding supervisory and enforcement authority over regulated PPSIs⁵; and requirements for FDIC-supervised custodians providing certain custodial and safekeeping services.⁶

The proposed rule would also (1) clarify that deposits held as reserves for a payment stablecoin are not insured to payment stablecoin holders on a pass-through basis and (2) clarify that the FDI Act's definition of a deposit is technology neutral and, therefore, tokenized forms of deposits are not a separate category of deposits under the statute.

PROPOSED RULE

Requirements and Standards for Permitted Payment Stablecoin Issuers

Purpose and Scope

Proposed part 350, subpart A of the FDIC Rules and Regulations would establish the FDIC's regulatory framework and standards for PPSIs for which the FDIC is the primary Federal payment stablecoin regulator.

Activities

The proposed rule defines what activities are permitted to be performed by a PPSI. It identifies four "core" activities: (1) issuing payment stablecoins, (2) redeeming payment stablecoins, (3) managing the associated reserves, and (4) providing limited custody or safekeeping services. A PPSI may conduct additional activities that "directly support" those core functions. Certain incidental activities and activities of digital asset service providers, as defined by the Act, can be authorized with FDIC approval. The assessment of certain fees is also permitted.

Prohibitions

The proposed rule specifies several prohibited activities for PPSIs. As required by the statute, PPSIs would be prohibited from using deceptive names or engaging in deceptive marketing that imply U.S. government affiliation, legal tender status, Federal guarantees, or that a payment stablecoin is subject to Federal deposit insurance or Federal share insurance. PPSIs would also be prohibited from marketing or issuing stablecoins in the United States unless compliant with the GENIUS Act and the requirements under proposed part 350. Additionally,

³ 90 FR 59409 (Dec. 19, 2025).

⁴ See 12 U.S.C. § 5903.

⁵ See 12 U.S.C. § 5905.

⁶ See 12 U.S.C. § 5909.

PPSIs would be prohibited from paying interest or yield simply for holding, using, or retaining a payment stablecoin, including through arrangements with affiliates or related third parties that effectively provide such yield. The proposed rule would also provide that PPSIs may not pledge, rehypothecate, or reuse reserve assets, directly or indirectly, including through a third-party custodian of the reserve assets, except for limited purposes such as meeting margin obligations, standard custodial operations, or short-term liquidity via approved repurchase agreements. Under the proposed rule, PPSIs would be prohibited from providing credit to customers to purchase payment stablecoins. Finally, the proposed rule would prohibit a PPSI from engaging in any activity that the FDIC determines is done in evasion of the requirements, standards, or prohibitions found in section 4 of the GENIUS Act or proposed part 350.

Reserve Assets

The proposed rule would require PPSIs to maintain clearly identifiable reserves that fully back total outstanding payment stablecoins, the reserve asset value of which would at all times meet or exceed the total outstanding issuance value of the payment stablecoins. Under the proposed rule, reserve assets would only be comprised of the types of reserve assets described in the GENIUS Act. PPSIs would be required to maintain reserves directly or keep reserves within the custody of an eligible financial institution that complies with subpart B. If a PPSI issues more than one distinguishable brand of payment stablecoin,⁷ PPSIs would be required to identify reserves by each brand of payment stablecoin and each brand would be required to independently comply with the reserve requirements. PPSIs would be required to be able to access and liquidate reserve assets consistent with their risk profile and limit exposure to any single eligible institution to 40 percent of total reserves. PPSIs would be required to publish monthly reserve composition reports for each brand, have a registered public accounting firm audit those reports, publish the auditor's findings, and have the Chief Executive Officer and Chief Financial Officer certify their accuracy to the FDIC. If the reserve asset value of the identifiable reserves fall below a 1:1 backing ratio, the PPSI would be required to notify the FDIC with a description of measures it will take to restore the value of the reserves. Under the proposed rule, the FDIC would have sole discretion to determine whether the PPSI must suspend issuance, increase or restore reserves, or execute an orderly redemption plan of all outstanding payment stablecoins. PPSIs would also be required to maintain a written contingency plan describing how they will maintain compliance with respect to reserve or capital requirements.

Redemption

The proposed rule would require a PPSI's redemption policy to provide clear and conspicuous procedures for timely redemption including clear instructions on how a payment stablecoin holder can redeem the payment stablecoin, disclosures related to the issuance and redemption of the payment stablecoin, and any fees. PPSIs would be required to redeem payment stablecoins no later than two business days following the date requested by a customer, but may redeem sooner. However, if redemption requests exceed 10 percent of outstanding issuance value within a 24-hour period, the PPSI would be required to immediately notify the

⁷ For purposes of this proposed rule, the FDIC is using the term "brand" to describe each legally distinguishable payment stablecoin issued by the same PPSI.

FDIC and may request approval to extend the redemption period. The FDIC would have the ability to grant, deny, or alter the requested extension based on the interests of payment stablecoin holders.

Risk Management

The proposed rule would require a PPSI to maintain internal controls, information systems, and an internal audit system appropriate for the PPSI's size, complexity, and risk profile. Additionally, the proposed rule would require a PPSI to: manage interest rate risk in a manner appropriate to the size and complexity of the PPSI and the complexity of its assets and liabilities; ensure that its asset growth is commensurate with its risk management and operational capabilities; and appropriately monitor and validate compliance with the reserve asset requirements while managing liquidity risk in a way that is appropriate for the PPSI's business model and risk profile. The proposed rule would require PPSIs to ensure that any transactions, services, fees, or costs between the PPSI and any insiders or affiliates (other than the parent IDI) do not create significant risk of financial loss and are conducted on terms at least as favorable as those offered to non-affiliates or non-insiders. PPSIs would also manage third party service providers through proper due diligence, contractual requirements ensuring compliance with the proposed rule, and, as appropriate, ongoing monitoring to confirm that third-party service providers meet their obligations.

The proposed rule would require PPSIs to create and maintain a framework for information technology and security risks, including a program that assesses and manages technology and security risks. PPSIs would also be required to: establish appropriate digital asset security practices, including private key management, backup, and recovery, and notify customers of unauthorized access to sensitive information. Finally, the information technology program would be required to ensure continuity of operations through business impact analyses, vulnerability testing, and testing with critical service providers.

Audits, reports, and supervision

The proposed rule provides that the FDIC will fulfill its examination responsibilities consistent with existing examination timelines established for the parent IDI of at least every 12 to 18 months. The proposed rule would require PPSIs to provide full, prompt access to personnel, documents, and distributed ledgers. PPSIs would be required to: maintain complete records; adopt a records retention policy; submit regular reports to the FDIC, including weekly confidential reports and quarterly financial-condition reports; and provide additional financial and risk management reports upon request.

Capital

The proposed rule would establish a minimum capital requirement framework with the FDIC setting the initial minimum capital requirement during the *de novo* period, which would generally be three years. Regulatory capital for PPSIs would consist of common equity tier 1 capital and additional tier 1 capital. The FDIC would establish a \$5 million floor as a minimum capital requirement during the *de novo* period, which the FDIC may increase or decrease depending on the operations of the PPSI. On an ongoing basis, the proposed rule would require a PPSI to calculate a minimum capital requirement based on a thorough evaluation of the risks associated with its business model and risk profile. The FDIC would review and monitor the

amount of capital held by the PPSI, and the process employed by the PPSI to determine its minimum capital requirement, as part of the examination process. Additionally, the proposed rule would require a PPSI to maintain an operational backstop composed of a designated pool of highly liquid assets. The operational backstop would be separate from both *de novo* and ongoing capital requirements and from reserve assets, and it would be calculated based on actual total expenses over the prior 12 months, with initial *de novo* amounts based on reasonable projections. Lastly, the proposed rule requires and outlines the process for deconsolidating the parent FDIC-supervised IDI's investment in the PPSI subsidiary for regulatory capital purposes.

Requirements for FDIC-Supervised Entities Engaged in Custody or Safekeeping of Payment Stablecoin Reserves and Collateral

Purpose and scope

Proposed part 350, subpart B would implement the custodial and safekeeping requirements outlined in section 10 of the GENIUS Act⁸ with respect to FDIC-supervised custodians.

Custodial and Safekeeping Requirements

The proposed rule would require a custodian to treat payment stablecoin reserves, payment stablecoins used as collateral, private keys, cash and other property received, acquired, or held in custody for or on behalf of a customer as the customer's property not the custodian's property, and to take appropriate steps to protect the customer's assets from the claims of the custodian's or any sub-custodian's creditors. The proposed rule would require a custodian to maintain possession or control of a customer's property that is held directly, including digital wallets for which the custodian controls the private keys.

Commingling Prohibition and Limited Exceptions

The proposed rule would provide that a custodian may not (with three limited exceptions)⁹ commingle and must separately account for and segregate a customer's payment stablecoin reserves, payment stablecoins, cash, and other property from the custodian's own assets.

Proposal to Clarify Deposit Insurance Coverage for Reserve Deposits and Treatment of Deposits in Tokenized Form

Deposit Insurance Coverage for Stablecoin Reserve Deposits

The proposed rule would amend the FDIC's deposit insurance rules, found in part 330 of the FDIC's regulations, by clarifying that deposits held as reserves for a payment stablecoin are

⁸ 12 U.S.C. 5909.

⁹ Consistent with the GENIUS Act, the proposed rule would provide limited exceptions to the commingling prohibition for (1) the use of omnibus accounts subject to certain requirements, (2) payment stablecoin reserves held as cash in the form of a deposit liability, provided such treatment is consistent with applicable law, and (3) certain transfers and settlements in connection with the custodial and safekeeping services provided by the custodian to a customer.

not insured to payment stablecoin holders on a pass-through basis. Under the proposed rule, such deposits would be insured as corporate deposits of the PPSI.

Treatment of Deposits in Tokenized Form

The proposed rule would clarify that the FDI Act's definition of a deposit is technology neutral and, therefore, tokenized forms of deposits are not a separate category of deposits under the statute. To be a deposit, a tokenized deposit must meet the statutory definition of "deposit." Specifically, section 330.1(e) would be amended to provide that an IDI's choice of technology or recordkeeping utilized to record deposit liabilities is not relevant to the FDIC's determination of deposit insurance coverage.

CONCLUSION

Staff recommends that the Board approve the attached proposed rule for publication in the *Federal Register* with a comment period of 60 days.

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