May 18, 2026

Jennifer M. Jones, Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
RIN 3064-AG20

Re: *Approval Requirements for Issuance of Payment Stablecoins by Subsidiaries of FDIC-Supervised Insured Depository Institutions*

The Conference of State Bank Supervisors ("CSBS")[1] provides the following comments on the Federal Deposit Insurance Corporation's ("FDIC") notice of proposed rulemaking regarding application requirements for subsidiaries of FDIC-supervised institutions seeking to become permitted payment stablecoin issuers ("issuers").[2]

State regulators recommend the following updates and clarifications to the proposal:

I. **Require, as part of the FDIC's evaluation of an application from a state-chartered bank, confirmation from the applying IDIs chartering authority that it does not object on safety and soundness grounds to the activities listed in the application.**

II. **Clarify that applicants must list the specific digital asset service provider ("DASP") activities they propose to conduct and that approval is limited to those activities specified in the application.**

III. **Clarify the FDIC's expectations regarding sources of strength to ensure that insured deposits are not positioned as implicit backstops for issuer activities.**

IV. **Request additional information for applications that involve white-label arrangements.**

Under the GENIUS Act, the FDIC is the primary federal payment stablecoin regulator for issuers that are subsidiaries of state-chartered non-member insured depository institutions ("IDIs"). The proposal would implement Section 5 of the Guiding and Establishing National Innovation for U.S. Stablecoins ("GENIUS") Act, which directs the FDIC to establish a process for the licensing, regulation, examination, and supervision of such issuers. CSBS supports implementation of this framework in a manner reflecting the legal status of state-chartered entities and the GENIUS Act's express recognition of the importance of state supervision in promoting financial stability and consumer protection.

The GENIUS Act's delegation of this specific issuer approval authority to the FDIC should be read and implemented with recognition of the broader context within which state-chartered IDIs exist. These IDIs can, by definition, only engage in activities permitted by the chartering state's law. The chartering state's law governs an IDIs ability to form a subsidiary and also determines the permissible activities of any subsidiary. As chartering agencies for the parent IDIs, state banking regulators have the authority to approve the formation of any subsidiary and to define the scope of the subsidiary's activities.

[1] CSBS is the nationwide organization of state banking and financial regulators from all 50 states, the District of Columbia, and the U.S. territories.
[2] FDIC, Notice of Proposed Rulemaking, *Approval Requirements for Issuance of Payment Stablecoins by Subsidiaries of FDIC-Supervised Insured Depository Institutions*, 90 Fed. Reg. 59409 (Dec. 19, 2025).

The GENIUS Act also preserves state regulators' authority to supervise issuers that are subsidiaries of state-chartered IDIs.[3] As lead supervisors for the parent IDI, state banking regulators also have institution and market-specific supervisory expertise that bears directly on any evaluation of whether an applicant and its subsidiary's proposed activities would be safe and sound. Timely consideration of the state perspective in a state-chartered bank's application for its subsidiary to become an issuer is mutually beneficial — to the FDIC in assessing the merits of any application and to the state chartering authority in its ongoing supervision of the IDI.

I. The FDIC should add a factor to its issuer application evaluation framework requiring confirmation from the state bank applicant's chartering authority that it does not object on safety and soundness grounds to the activities or business model described in the application.

As chartering authorities in a dual banking system, states have the inherent authority to authorize both a bank's creation of a subsidiary and the activities conducted by a bank or its subsidiary. As part of its responsibility to ensure the continued safe and sound operation of a state-chartered IDI parent, the relevant chartering authority must approve the parent's establishment of a payment stablecoin subsidiary and approve the scope of the subsidiary's activities. Once the state approves the IDI to establish a subsidiary authorized to issue stablecoins, the bank may seek approval from the FDIC for the subsidiary to issue stablecoins.

Section 5(c)(5) of the GENIUS Act authorizes the FDIC to establish and consider other factors necessary to evaluate whether an applicant's activities would be safe and sound. The FDIC should only exercise this approval authority subject to confirmation from the state regulator that chartered the parent IDI and authorized the formation of the subsidiary that the state regulator does not object on safety and soundness grounds to the activities or business model of the subsidiary described in the application.

State chartering authorities' institution-specific supervisory knowledge and decision to authorize establishing a subsidiary are directly relevant to the safety and soundness determination required by Section 5 of the GENIUS Act. The chartering authority may have required specific conditions or undertakings as part of approving the formation of a subsidiary that seeks to issue stablecoins.

The FDIC's implementing regulations should recognize this inherent authority of the state relative to its chartered institutions by establishing as a necessary factor under Section 5(c)(5) confirmation that the chartering regulator does not object on safety and soundness grounds to the applicant's proposed activities or business model.[4] To facilitate state-level evaluation, the FDIC should share — or require applicants to share — all relevant application information with the chartering authority. Incorporating this confirmation as a necessary factor in the FDIC's evaluation would align the process with the GENIUS Act's recognition of the role of state regulators in the dual banking system and would ensure that evaluation captures material supervisory issues identified at the state level.

II. Applicants should be required to enumerate their proposed DASP activities and approval should be limited accordingly.

Section 4(a)(7)(B) of the GENIUS Act provides that the statute is not intended to limit an issuer from engaging in DASP activities authorized by the primary federal payment stablecoin regulator. As the FDIC

[3] *See* 12 U.S.C. § 5904(h).

[4] *See* 12 U.S.C. § 5904(c)(5).

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recognizes in its implementation proposal, this provision does not function as a blanket authorization for issuers to engage in unspecified DASP activities.[5] Instead, an issuer must be separately authorized to engage in DASP activities under state or federal law. A state bank or its subsidiary can only engage in a DASP activity if it has been authorized to do so by its chartering state banking regulator. Otherwise, that activity would not meet the FDIC's requirement that it be authorized by state law.

The proposed filing content requirements for DASP activity do not provide sufficient information to evaluate the factors in Section 5(c) of the GENIUS Act.[6] Paragraph (d)(1) of the proposed rule would require applicants to describe any activities they intend to conduct incidental to issuer activities or DASP activities.[7] To ensure an application provides sufficient information to evaluate safety and soundness, the FDIC should explicitly state that applicants must list the specific DASP activities they propose for their subsidiary to conduct and document that they are authorized by their chartering authority to engage in the enumerated DASP activities via the subsidiary.

Along with confirming the threshold question of whether a proposed DASP activity is authorized, this specificity will allow the FDIC to evaluate an applicant's compliance with the safeguards in the GENIUS Act. Section 4(a)(4) recognizes that capital, liquidity, and risk management requirements should be tailored to an issuer's business model and risk profile. Without a clear understanding of the full range of activities the subsidiary proposes to perform, including specific DASP activities, the FDIC will be unable to assess whether an applicant's capital, liquidity, and risk management procedures are sufficient to satisfy Section 4. An application describing DASP activities only in general terms is therefore incomplete.

Accordingly, the FDIC should require applicants to identify proposed DASP activities with sufficient specificity to permit meaningful review and should clarify that approval extends only to the activities specified in the application, even where other activities may be permissible under state or federal law. Approval should be limited to authorizing only the DASP activities evaluated as part of the initial application process. Any expansion beyond the initially approved scope should require subsequent approval from the FDIC, including updated documentation of authorization by the relevant state chartering authority, to ensure ongoing compliance with Section 4.

III. The FDIC should clarify expectations regarding sources of strength relating to insured depository institutions.

The proposal notes that issuers may describe sources of strength as part of their application.[8] CSBS agrees that obtaining this information is critical to the FDIC's evaluation under Section 5(c), particularly as it considers liquidity risk, operational continuity, and potential redemption scenarios. It is appropriate and important for the FDIC to assess an application by taking into account sources of strength from support agreements from parent companies or affiliates.[9]

Clarity regarding the direction and nature of support arrangements and associated agreements is especially important when an issuer is an IDI subsidiary, given the potential for novel liquidity and

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[5] FDIC, Notice of Proposed Rulemaking, *GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions*, 91 Fed. Reg. 18534, 18538 (Apr. 10, 2026).

[6] *See* FDIC, *supra* note 2, at 59416.

[7] *Id.* at 59411.

[8] *Id.* at 59412.

[9] *See* 12 U.S.C. § 1831*o*-1.

redemption dynamics. The GENIUS Act explicitly states that stablecoins are not insured by the U.S. government.[10] Using insured deposits as a source of strength for an issuer would violate the goals of that statutory prohibition, as well as putting the parent IDI at heightened risk of failure in the event of issuer stress. Given the statutory context, we encourage the FDIC to clarify that it expects sources of strength arrangements to rely on non-insured parents or affiliates rather than IDI resources.

IV. The FDIC should request specific information on potential "white-label" structures.

State regulators appreciate the FDIC's recognition that payment stablecoin issuance may occur through consortium arrangements among banks.[11] For community banks, in particular, a consortium arrangement may provide an efficient means to share technology, infrastructure, and operational functions in a manner consistent with the GENIUS Act.[12] The FDIC's effort to reduce application burden for this model is an important step, and state regulators encourage continued guidance addressing governance and risk management issues.

The consortium model is not the only way that IDI subsidiaries may work with partners to issue a stablecoin. The FDIC should also request application information on arrangements in which an IDI subsidiary serves as the issuer of a payment stablecoin but the public associates the stablecoin with another bank or a nonbank company. In these "white-label" arrangements, the subsidiary remains the legal issuer subject to FDIC approval, while other banks or nonbank entities may provide branding, customer-facing interfaces, or operational support.

The FDIC's implementation proposal contemplates the possibility that FDIC-regulated issuers may enter into the business of providing "white-label" stablecoins branded by another entity.[13] Indeed, some issuers already plan to participate in white-label arrangements.[14] Providing application requirements for banks interested in subsidiaries pursuing this model would help provide a level playing field. Similar to other bank-nonbank partnerships, the issuer should retain full responsibility for compliance with GENIUS Act requirements. The FDIC should therefore ask applicants if they intend to issue their stablecoin within a white-label model, to identify other white label brands and relationships they participate in, and to provide information on how the applicant plans to manage the risks arising from its arrangement. In particular, the FDIC should seek information about how the proposed partners meet the factors of Section 5(c), the issuer's risk management plan for its third-party white-label relationships, and any controls the issuer has in place for compliance with applicable laws.

Conclusion

CSBS encourages the FDIC to continue its efforts to implement the GENIUS Act in a manner consistent with financial stability, consumer protection, and cooperative federalism. The statute anticipates a supervisory role for both federal and state regulators, and implementation should reflect that structure

[10] *See* 12 U.S.C. § 5903(e)(1).
[11] *See* FDIC, *supra* note 2 at 59412.
[12] *See, e.g.*, Press Release, Indep. Bankers Ass'n of Tex., IBAT Leads Push for Stablecoins and Tokenized Deposits (Oct. 16, 2025).
[13] *See* FDIC *supra* note 5 at 18541.
[14] *See, e.g.*, Indep. Bankers Ass'n of Tex. *supra* note 12.

from the outset of the application process. CSBS looks forward to continued engagement with the FDIC on the implementation of the GENIUS Act.

Sincerely,

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