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

Re: Approval Requirements for Issuance of Payment Stablecoins by Subsidiaries of FDIC-Supervised Insured Depository Institutions
RIN 3064-AG20

Ms. Jones:

Inca Digital appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's Notice of Proposed Rulemaking regarding approval requirements for the issuance of payment stablecoins by subsidiaries of FDIC-supervised insured depository institutions pursuant to the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act.

At Inca Digital, we transform open-source intelligence, such as blockchain activity, market data, social media, and other public and hard-to-reach data environments, into actionable intelligence that financial institutions and public-sector partners use to manage financial, operational, and compliance risk at scale. Our work has supported state and federal authorities, banks, and stable token initiatives by improving transparency, strengthening controls, and enabling earlier detection of financial crime and operational risk across both traditional and digital financial systems.

We commend the FDIC for proposing a framework that is procedural, safety-and-soundness-focused, and technology-neutral, while remaining faithful to Congress's intent in the GENIUS Act. The proposed rule appropriately emphasizes supervisory clarity, predictable timelines, and a streamlined application process, while preserving the FDIC's ability to evaluate real operational risk rather than abstract technological form.

Below we offer high-level observations on the proposed rule and practical implementation considerations that may become increasingly important as payment stablecoin issuance moves from concept to supervised reality. These observations are intended to support the FDIC's objectives of safety, soundness, transparency, and supervisory efficiency.

I. General Support for the FDIC's Approach

Inca Digital supports the FDIC's proposed implementation of section 5 of the GENIUS Act and agrees that a tailored application process, grounded in safety and soundness rather than prescriptive technology mandates, is the correct regulatory posture at this stage of market development.

We particularly support:

- The FDIC's focus on financial condition, governance, redemption capacity, and operational controls rather than the specific technical architecture used to issue or manage payment stablecoins.
- The proposed letter-based application approach, which allows applicants to explain complex operating models that may not map cleanly to rigid forms.
- The clear statutory timelines for application completeness, approval, denial, and appeal, including the deemed-approval mechanism, which provides regulatory certainty and discipline.
- The FDIC's acknowledgment that issuance on open or decentralized networks is not, in itself, a basis for denial, consistent with the GENIUS Act.

Taken together, these elements establish a regulatory environment that can support responsible innovation while maintaining supervisory rigor.

II. Operationalization of Reserve Transparency and Ongoing Verification

The NPRM correctly identifies reserve composition, custody, asset management, and disclosure as core safety-and-soundness considerations. As payment stablecoins scale, the supervisory challenge will not be whether reserves exist at a point in time, but whether they can be continuously verified, reconciled, and transparently reported across both on-chain and off-chain systems.

In practice, issuers and supervisors will need to demonstrate, on an ongoing basis:

- That outstanding token supply reconciles precisely with reserve assets
- That reserve composition remains compliant with statutory and regulatory requirements
- That changes in reserve structure are traceable, explainable, and auditable
- That public disclosures, supervisory reports, and internal ledgers remain consistent over time

To support this, the FDIC may wish to encourage standardized reporting formats and machine-readable annexes for reserve disclosures. Structured data schemas, reconciliation outputs, and change logs can materially improve supervisory comparability and reduce review burden.

Whether developed internally or supported by qualified third parties under appropriate third-party risk management standards, dashboard-based reserve monitoring and automated exception detection tools can enhance supervisory confidence by moving from static attestations to ongoing verification.

III. On-Chain and Off-Chain Reconciliation and Transaction Processing Controls

We strongly agree with the FDIC's explicit expectation that applicants address both on-chain and off-chain recordkeeping, reconciliation, and transaction processing. This is a critical and often underappreciated point.

Payment stablecoins introduce a hybrid risk surface:

- Liabilities move on public or permissioned ledgers at internet speed
- Reserves, governance, and redemption processes remain primarily anchored in traditional financial infrastructure

Bridging these systems safely requires more than policy documentation. It requires operational capabilities that can:

- Continuously reconcile token supply (mint and burn activity) against reserve movements
- Detect anomalies such as unexpected minting patterns, delayed redemptions, or reconciliation gaps
- Produce documented control artifacts that examiners can independently review

The FDIC may wish to provide supervisory clarity around what constitutes effective on-chain/off-chain reconciliation—such as expected reconciliation cadence, exception thresholds, remediation timelines, and documentation standards. Establishing these expectations in guidance rather than rule text could improve consistency while preserving flexibility.

IV. BSA/AML/CFT and Sanctions Compliance in a Stablecoin Context

The NPRM appropriately treats PPSIs as financial institutions for purposes of the Bank Secrecy Act and sanctions compliance. Stablecoin issuance introduces a distinctive compliance dynamic: liabilities will almost certainly circulate beyond the issuer's direct customer base.

This reality requires a shift from static, account-based monitoring to more behavioral and network-based risk assessment, including:

- Monitoring flows across wallets, protocols, bridges, and intermediaries
- Identifying exposure to sanctioned entities, scams, and illicit finance typologies
- Integrating on-chain intelligence with traditional compliance telemetry

To support consistent supervisory expectations, the FDIC may wish to clarify through guidance what it views as sufficient evidence of effective on-chain monitoring, including typology coverage, sanctions screening across wallet infrastructure (not solely name-based screening), and model governance documentation.

Standardization in this area can reduce the risk of bespoke or inconsistent compliance expectations across institutions while preserving safety-and-soundness rigor.

V. Redemption Risk, Liquidity Planning, and Stress Readiness

The GENIUS Act and NPRM appropriately emphasize redemption policy and liquidity sufficiency. Stablecoins operate in 24/7 markets and may experience redemption demand during weekends, holidays, or periods of market volatility.

Applicants should therefore demonstrate:

- Scenario-based stress testing of rapid redemptions
- Liquidity coverage during non-bank hours
- Operational readiness to process high-volume redemptions
- Monitoring of holder concentration and correlated outflow risk

The FDIC may wish to consider whether standardized stress-testing metrics or structured liquidity reporting templates would enhance comparability across PPSIs. Such tools—whether implemented by institutions internally or supported by qualified vendors—can provide early warning signals and improve supervisory visibility into redemption resilience.

VI. Supervisory Scalability and Data Standardization

As payment stablecoin issuance grows, supervisory efficiency will depend not only on approval decisions but on ongoing review of reserve disclosures, reconciliation outputs, liquidity metrics, and compliance telemetry.

The FDIC may wish to consider:

- Encouraging machine-readable reporting formats for recurring reserve and reconciliation submissions
- Standardized ingestion and automated checks for completeness and consistency
- Risk indicators and peer-comparison analytics across supervised PPSIs

These approaches can improve supervisory scalability while maintaining a technology-neutral framework. Importantly, they allow the FDIC to remain focused on safety and soundness while leveraging structured data rather than relying exclusively on narrative submissions.

VII. Closing Observations

Inca Digital believes the FDIC's proposed rule strikes an appropriate balance between enabling responsible innovation and preserving the core principles of safety, soundness, and financial integrity that underpin the U.S. banking system.

As payment stablecoins move from pilot initiatives to supervised financial infrastructure, the durability of this framework will depend not only on formal approval processes, but on the quality of ongoing monitoring, transparency, reconciliation integrity, and risk management.

Encouraging standardized reporting formats, structured data annexes, and operational evidence—supported by robust internal controls and, where appropriate, qualified third-party infrastructure—can strengthen both issuer compliance and supervisory effectiveness.

We appreciate the FDIC's thoughtful approach and welcome continued engagement as the GENIUS Act framework is implemented.

Respectfully submitted,

Adam Zarazinski
Co-Founder
Inca Digital

Addendum

Question 1

Does the proposed rule adequately reflect the application process outlined by Congress in the GENIUS Act? How could the proposed rule be improved to better align with the GENIUS Act's application requirements?

Response:
Inca Digital believes the proposed rule largely reflects the GENIUS Act's application framework and appropriately implements its core procedural elements: (i) an application submission process; (ii) a "substantially complete" completeness determination; (iii) an approval/denial decision timeline; (iv) a denial standard limited to unsafe or unsound activities based on enumerated statutory factors; and (v) a defined appeal pathway consistent with statutory timelines.

To further align the rule's implementation with the GENIUS Act's goals of safety and soundness while minimizing burden, the FDIC could consider:

1. Clarify evidentiary expectations for "substantially complete." Applicants would benefit from non-binding guidance describing common deficiencies (e.g., reconciliation gaps, unclear redemption limitations, reserve disclosure methodology, incomplete third-party role descriptions). This would reduce iterative back-and-forth and improve predictability.

2. Enable standardized attachments and structured triage. The FDIC can preserve the letter-application format while encouraging standardized data annexes for key quantitative elements (e.g., reserve inventory schema, token supply reconciliation outputs, redemption stress metrics). Standardized annexes also enable efficient triage —potentially supported by automated completeness checks, structured extraction, and gap detection tools—whether developed internally or supported by qualified vendors.

3. Provide additional clarity on "material change in circumstances." Examples of changes that typically require new-application treatment would improve predictability (e.g., reserve asset types, custody model, issuer governance, redemption policy, material third-party dependence, chain/bridge architecture changes, or significant shifts in projected issuance scale).

Question 2

The proposed rule would require applicants to submit a letter application. Should the FDIC consider requiring applicants to instead submit a structured form? What are the advantages and disadvantages of each approach?

Response:
Inca Digital supports the FDIC's proposed letter application approach at this stage. Payment stablecoin issuance models vary widely across governance structures, custody arrangements, and operational workflows. A letter format allows applicants to explain complex or hybrid arrangements more clearly than a rigid form.

That said, the FDIC could adopt a hybrid approach: retain letter applications as the primary narrative submission, while providing an optional structured template/checklist and standardized data annexes for items consistently required across applicants (e.g., reserve inventory, reconciliation controls, redemption SLAs and stress metrics, third-party control responsibility mapping, and BSA/sanctions coverage).

This model preserves flexibility while improving comparability across applicants and enabling more efficient supervisory review, including through standardized ingestion and automated checks for completeness and consistency.

Question 3

Are the proposed filing content requirements appropriate to garner sufficient information for the FDIC to evaluate the factors described in section 5(c)? Is it clear what information the FDIC would expect? Are there additional types of information the FDIC should consider? Should the FDIC remove anything?

Response:
Inca Digital believes the proposed filing content requirements are generally appropriate and clearly tied to the statutory factors. In particular, the NPRM's explicit inclusion of on-chain and off-chain reconciliation and transaction processing is an important and necessary expectation.

To improve clarity and reduce burden, the FDIC could consider encouraging the following as optional standardized elements (through guidance rather than rule text):

1. Reconciliation evidence and exception handling. Applicants should describe how they reconcile token supply (mint/burn) to reserve movements, what tolerances are permitted, how exceptions are triaged and escalated, and remediation timelines. These processes can be supported by reconciliation tooling that provides lineage from reserve accounts to public disclosures and supervisory reporting.

2. Third-party dependency and control responsibility mapping. Where key functions are outsourced (custody, issuance platform, key management, sanctions screening, monitoring), applicants should include a concise control responsibility map describing who performs what function, what data is produced, and how internal oversight is maintained. This also supports examiner review and reduces narrative duplication.

3. Operational monitoring and anomaly detection. Applicants should explain how they detect operational anomalies (e.g., abnormal mint bursts, delayed burns, stuck redemptions, unexpected contract interactions). Tools that produce "evidence packages" aligned to control assertions (SOC-style artifacts) can improve auditability and examination efficiency.

Inca does not recommend removing substantive categories from the proposed content requirements; the better path is to clarify expectations and enable standardized attachments to reduce burden.

Question 4

Should the FDIC consider other factors beyond those listed in the GENIUS Act? If so, what and why?

Response:
Inca Digital supports the FDIC's decision not to add new factors beyond those listed in the GENIUS Act at this time, particularly given the Act's emphasis on a bounded, safety-and-soundness-focused framework.

However, without adding formal "factors," the FDIC may wish to clarify through guidance that certain operational topics are integral to evaluating existing statutory factors, including:

- Cybersecurity and smart contract governance (change management, key management, incident response, information security management systems)
- Business continuity and operational resilience for 24/7 issuance and redemption systems
- Data integrity and auditability of reconciliation, reserve reporting, and compliance telemetry

Clarifying what "good" looks like in these areas (e.g., expected control artifacts, reconciliation cadence, exception management standards) could improve consistency. These standards may be supported by internal FDIC tooling or by standardized reporting outputs produced by supervised entities and their technology providers.

Question 5

What types of information should applicants submit to substantiate the sufficiency of their capital or liquidity structures? What information best demonstrates appropriate composition, custody, and valuation of reserve assets?

Response:
For capital and liquidity sufficiency, applicants should submit information that is both quantitative and operationally grounded:

Capital and liquidity sufficiency

- Pro forma capital and liquidity plans aligned to expected issuance growth
- Stress scenarios: rapid redemptions, market dislocation, custodian disruption, operational outages
- Liquidity coverage assumptions during non-bank hours (weekends/holidays)
- Concentration risk: top holders, redemption correlation assumptions, contingency funding arrangements
- Clear triggers for liquidity actions (reserve rebalancing, operational throttles, escalation)

Reserve composition, custody, and valuation

- Reserve inventory by asset type, maturity, issuer, domicile, custodian, and legal title
- Custody/safekeeping model, segregation controls, and legal enforceability of claims
- Valuation sources, mark-to-market policy, and independent verification methods
- Controls preventing prohibited reuse/rehypothecation (where applicable)

Where feasible, these can be delivered in standardized data formats to facilitate examiner review, including dashboards or structured reports that provide eligibility mapping, concentration and duration views, and change logs explaining reserve composition movements. If reserve assets are represented in tokenized form, applicants should also disclose how they validate issuer/contract risk, settlement finality, transfer restrictions, and valuation.

Question 6

What types of ownership or control structures of PPSIs may be proposed that the FDIC has not considered? Does the proposed rule capture the information the FDIC would need? Why or why not?

Response:
Inca Digital expects applicants may propose varied structures beyond a simple wholly owned subsidiary, including consortium subsidiaries involving multiple insured depository institutions, and arrangements where key operational components are provided by third parties even if legal issuance remains within the PPSI.

The proposed rule generally captures needed information via governance descriptions and organizing documents. For complex arrangements, supervisory clarity could be strengthened by encouraging applicants to provide a concise governance and control allocation matrix that specifies:

- Decision rights (issuance, reserve changes, redemption policy changes, smart contract upgrades)
- Operational responsibilities and oversight
- Incident and dispute management responsibilities
- Optional: Transparent beneficial ownership disclosures, if different from the applicant

For consortium models, shared monitoring layers with role-based access, standardized control metrics, and clear audit trails can also improve supervisory transparency without requiring the FDIC to rely solely on narrative descriptions.

Question 7

Does the proposed rule effectively capture the policies, procedures, and customer agreements necessary to evaluate the factors? What could be eliminated or added to evaluate the factors while minimizing burden?

Response:
Inca Digital believes the NPRM appropriately captures the categories of policies, procedures, and customer agreements necessary for safety-and-soundness evaluation.

To minimize burden while maintaining supervisory rigor, the FDIC could:

- Allow applicants to submit policies in modular form (leveraging existing bank policies with stablecoin-specific addenda)
- Encourage a controls-to-requirements mapping that links each statutory requirement to the relevant policy section and operational control, reducing duplicative narrative drafting
- Clarify expectations for on-chain monitoring as part of BSA/sanctions compliance, including whether issuers should demonstrate capability to detect common stablecoin typologies (e.g., mixer exposure, bridge hopping, chain-hopping, sanctions evasion behaviors)

Model governance artifacts—such as explainability documentation, thresholds, and QA sampling—can also help demonstrate that monitoring controls are fit for purpose and reviewable during examination.

Question 8

Should the FDIC include regulatory text on safe harbor waiver procedures? Why or why not? In what circumstances might an applicant request a waiver, and what provisions would be requested to be waived?

Response:
Inca Digital understands the FDIC's rationale for not including detailed regulatory text given the temporary, case-by-case nature of the GENIUS Act safe harbor. However, applicants would benefit from limited non-binding guidance describing where to submit a waiver request, minimum content expectations, and how the FDIC will assess interim risk.

Waiver requests may arise where applicants require transitional timing for (i) monthly examined reserve reporting processes, (ii) phased automation of reconciliation controls, or (iii) staged deployment of monitoring infrastructure. Any waiver should remain safety-and-soundness anchored and include a clear statement of interim controls, monitoring, and reporting outputs during the waiver period.

Question 9

Does the proposed appeal process effectively protect due process, minimize burden, and meet GENIUS Act requirements? Are there other processes that could be used?

Response:
Inca Digital believes the proposed appeal process generally meets the GENIUS Act's timeline requirements and provides a workable route for applicants to seek review.

To further protect due process and minimize burden, the FDIC could consider:

- Publishing a concise description of the appeal record and permitted supplemental submissions
- Allowing remote hearings by default to reduce cost
- Continuing to encourage "remediation pathways" in denial notices to support efficient reapplication

Question 10

Are the estimates of the number of applications received and the potential costs likely to be accurate? Why or why not?

Response:
Inca Digital believes there is significant uncertainty in projecting application volumes and costs given evolving market demand, differing state regimes, and the economics of stablecoin issuance.

The estimated labor hours may understate the effort for early applicants, particularly those building new governance, reconciliation, reserve reporting, and monitoring systems. Over time, costs may decline as standardized reporting formats, shared infrastructure, and reusable supervisory expectations mature—including where specialized monitoring and reconciliation tooling is provided by qualified third parties under bank third-party risk management frameworks.

Question 11

Would the proposed rule have any costs, benefits, or other effects the FDIC has not identified?

Response:
Inca Digital believes the FDIC has identified core administrative and compliance costs. Additional effects that merit consideration include:

Potential benefits

- Increased supervisory certainty may encourage well-governed issuance models and reduce incentives for regulatory arbitrage
- Standardization of reserve disclosure and reconciliation practices could improve market discipline and consumer confidence
- Enhanced BSA/sanctions expectations can reduce systemic exposure to illicit finance risks in fast-moving digital payment rails

Potential costs / implementation considerations

- Smaller institutions may face disproportionate operational lift if they must build specialized reconciliation and monitoring tooling internally
- Ambiguity in expectations for on-chain/off-chain reconciliation and tokenized reserves may create iterative application cycles

- Third-party risk management friction could inhibit prudent use of specialized tools unless expectations are calibrated to support responsible outsourcing

To mitigate these effects, the FDIC may wish to consider encouraging standardized data annexes and consistent reporting outputs that can be validated through automated checks, dashboards, and peer-comparison analytics—whether built internally or supported by qualified vendors—so examination remains efficient and scalable as issuance grows.