

OCC proposes regulatory framework to implement GENIUS Act

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The OCC has moved swiftly and comprehensively to implement almost all aspects of the GENIUS Act within its jurisdiction.

The Office of the Comptroller of the Currency (OCC) issued a sweeping 376-page [notice of proposed rulemaking](#) (the Proposal) to implement almost all aspects of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the GENIUS Act or the Act) that fall within the OCC's jurisdiction. Only rules to implement the GENIUS Act's Bank Secrecy Act/anti-money laundering (BSA/AML) and sanctions compliance requirements—which will be issued in coordination with the Treasury Department—are not covered.

The Proposal would establish a comprehensive regulatory framework for the licensing and supervision of OCC-regulated permitted payment stablecoin issuers (PPSIs) and foreign payment stablecoin issuers registered with the OCC. The Proposal's remit includes rules related to issuance, redemption, reserves, custody, capital and risk management requirements for PPSIs. It also serves as a baseline that may influence how other agencies implement the GENIUS Act.

Comments on the Proposal are due on May 1, 2026. Given the importance of the Proposal and the 211 questions posed to the public, we expect a significant volume of comments.

The Proposal is part of a broader OCC effort to further develop the regulatory framework for stablecoin activity. On February 26, 2026, the OCC [finalized](#) its recent proposed rulemaking to clarify its chartering authority with respect to national trust banks (NTBs) that engage in non-fiduciary activities. See our [client update](#) on the NTB final rule. The OCC's swift efforts to clarify its chartering authority for NTBs and issue the [proposed GENIUS Act implementing rules](#), which contemplate that some NTBs will become PPSIs, demonstrate an intent to provide certainty to entities that wish to engage in payment stablecoin activities within the OCC's jurisdiction and push forward the development of the payment stablecoin sector.

Key highlights of the Proposal include:

- **Interest and yield prohibition.** The Proposal implements the GENIUS Act's prohibition on paying interest or yield to payment stablecoin holders through a rebuttable presumption targeting arrangements with affiliates and related third parties, including white-label issuers and yield-as-a-service providers.
- **Reserve asset diversification requirements.** The Proposal includes two potential options that the OCC may consider for required reserve asset diversification—a principles-based requirement with an optional safe harbor (Option A) or mandatory quantitative limits (Option B). The safe harbor and quantitative limits would both require, among other things, that (1) 10% of reserves be held in deposits at an insured depository institution (IDI), insured shares held at an insured credit union, or an account at a Federal Reserve Bank, with such deposits split across at least two institutions and (2) the total stock of reserve assets has a weighted average maturity of no more than 20 days. OCC-regulated PPSIs may self-custody reserve assets, assuming other requirements are met.
- **Capital framework modeled after OCC approach for NTBs.** The Proposal adopts a capital framework that draws on the OCC's existing capital rules for national banks, with individualized requirements during a three-year de novo period (with a \$5 million floor) and a 12-month operational backstop. Only Tier 1 capital instruments (common equity

and certain perpetual preferred stock) can be used to satisfy capital requirements. The OCC is considering and describes in the Proposal a variable capital component tied more directly to price and interest rate risk.

- **Control and affiliate definitions.** The Proposal generally adopts the Bank Holding Company Act (BHC Act) definitions of “control” and “affiliate,” including the Federal Reserve’s “controlling influence” framework, rather than the OCC’s own operating subsidiary definitions. Changes in control would be governed by the OCC’s Change in Bank Control Act standard.
- **White-labeled issuance.** The Proposal requests comment on whether a PPSI should be permitted to issue more than one “brand” of payment stablecoin under a white-label arrangement. The OCC’s stated concern is that multi-brand arrangements may create uncertainty about reserve assets and amplify contagion and run risk across brands. One alternative the OCC has requested comment on is a “one issuer, one brand” model with a streamlined application process for affiliates of already-approved issuers, which would require legal separation but permit shared back-office functions and risk management frameworks.
- **Foreign issuer registration.** For a foreign payment stablecoin to be issued in the U.S. or traded on U.S. custodial platforms, the issuer would need to register with the OCC and would be subject to essentially the same reporting, supervision and examination requirements as domestic PPSIs. Registration applications would be deemed approved 30 days after receipt unless specifically rejected by the OCC.
- **Federal preemption.** The OCC interprets the GENIUS Act as providing the OCC with exclusive visitorial authority over federal qualified payment stablecoin issuers, generally preventing other regulators from subjecting these entities to additional oversight. State consumer protection laws remain applicable, unless separately preempted (e.g., in the case of an NTB).
- **Application and safe harbor process.** The OCC has modeled the licensing process on the national bank charter application. A substantially complete application would be deemed approved after 120 days if not specifically denied. The Proposal also implements a safe harbor permitting the OCC to waive the GENIUS Act’s requirements for issuing payment stablecoins for applicants with pending applications as of the GENIUS Act’s effective date, and the OCC indicates it may begin evaluating requests for such waivers before the final rule takes effect.

Background

The President signed the GENIUS Act into law in July 2025 to provide a framework governing the issuance of payment stablecoins. The Act was the first major digital assets legislation in the United States and represented a bipartisan push to develop a legal framework for the stablecoin industry. The Act focuses on payment stablecoins, a subtype of stablecoin that the Act defines as a digital asset used as a means of payment or settlement and for which the issuer (1) is obligated to redeem the asset for a fixed monetary value and (2) represents that such issuer will maintain (or create a reasonable expectation of maintaining) a stable value relative to the fixed redemption value. Only issuers licensed under the GENIUS Act, i.e., PPSIs, may issue payment stablecoins in the United States following the effective date. The Act also laid out a framework for the regulation of foreign payment stablecoin issuers that seek to issue payment stablecoins in the U.S. or have their payment stablecoins traded on U.S. custodial platforms. The effective date is the earlier of January 18, 2027 or 120 days after the primary federal payment stablecoin regulators issue final regulations implementing the Act. See our prior [client update](#) for our full overview of the GENIUS Act.

Summary of the Proposal

Purpose, scope and key definitions

The Proposal would create a regulatory framework for OCC-regulated PPSIs by adding a new Part 15 to the OCC’s regulations and would make incremental revisions to OCC regulations in 12 C.F.R. Parts 3 (capital), 6 (prompt corrective action), 8 (assessments) and 19 (enforcement/investigation procedures). The OCC has jurisdiction over several types of PPSIs, which we refer to as OCC PPSIs:

- Subsidiaries of national banks and federal savings associations (FSAs);
- Federal qualified payment stablecoin issuers; and
- State nonbank stablecoin issuers that exceed the \$10 billion in outstanding issuance threshold (unless they receive a waiver).

The OCC also has jurisdiction over foreign payment stablecoin issuers that register with the OCC.

The key topics covered by the Proposal are:

- Permitted and prohibited activities for OCC PPSIs;
- Reserve asset, redemption, risk management and audit requirements;
- Custody requirements;
- Application process and review criteria;
- Capital and operational requirements; and
- OCC PPSI assessment fees.

The defined terms used in the Proposal generally track the definitions used in the GENIUS Act. Two notable interpretations, however, relate to the proposed meanings of “affiliate” and “control”:

- **Affiliate.** “Affiliate” is defined to be consistent with the definition used in the BHC Act—i.e., “a person that controls, is controlled by, or is under common control with another person.” The Proposal states the OCC generally expects to interpret the term consistent with the Federal Reserve’s Regulation Y (12 C.F.R. Part 225), as in place as of the date of the Proposal but reserves the right to issue its own interpretations.
- **Control.** Like the definition of “affiliate,” the OCC’s proposed definition of “control” generally tracks the definition used in the BHC Act—rather than, for example, the definition of control used in the OCC’s rules for operating subsidiaries and non-controlling equity investments (12 C.F.R. §§ 5.34, 5.36). With respect to changes of control or an acquisition of an OCC PPSI, however, the OCC has proposed to use the definition of control under the OCC’s implementing regulations of the Change in Bank Control Act (12 C.F.R. § 5.50), rather than the BHC Act.

The import of this approach is that the Federal Reserve’s “controlling influence” test, which establishes various presumptions of control, would apply for purposes of determining affiliation and control under the Proposal, except for changes in control, which would be determined based on the OCC’s Change in Bank Control Act regulations. The use of the Federal Reserve’s control presumptions would result in a broad universe of persons becoming subject to various provisions in the Proposal that apply to affiliates. For example, the Proposal’s yield payment restrictions apply to certain arrangements with affiliates. The Proposal’s affiliate transaction requirements in general incorporate this broad definition of affiliate and control. The Proposal also would permit the OCC to impose additional capital requirements on an OCC PPSI if it could be adversely affected by the activities or condition of an affiliate. Each of these requirements is discussed below.

Relationship to the GENIUS Act’s self-executing provisions

The preamble to the Proposal also includes interpretive gloss on the GENIUS Act’s self-executing provisions. Of note:

- Section 4(b)(1) of the Act states that, notwithstanding certain federal law addressing preemption standards for OCC-regulated institutions, and certain state laws, a federal qualified payment stablecoin issuer “shall be licensed, regulated, examined, and supervised exclusively by the [OCC].” The Proposal interprets this provision of the Act as providing the OCC with the “exclusive authority to exercise visitorial powers with respect to federal qualified payment stablecoin issuers,” which “generally prevents other regulators from subjecting these entities to additional oversight, which can be unduly burdensome, duplicative, or inconsistent.” This interpretation is consistent with longstanding views with respect to national banks.
- The Proposal states that Section 5(h) of the Act provides that OCC PPSIs “are only required to obtain authorization to do business from the OCC, which reduces the unnecessary complexity that would result from requiring these entities to also obtain a charter, license, or other authorization from one or more states.” This interpretation is consistent with longstanding views with respect to national banks.
- The Proposal also acknowledges that Section 7(f)(4) of the Act states that nothing in the GENIUS Act preempts state consumer protection laws. In a footnote, the Proposal notes that other federal law, such as the National Bank Act, “may also be relevant” in assessing the applicability of state consumer protection law to certain OCC PPSIs, such as uninsured national banks.

OCC PPSIs

Permitted and prohibited activities

The Proposal specifies a list of activities that are permissible for OCC PPSIs that essentially mirrors the GENIUS Act:

- Issuing payment stablecoins.
- Redeeming payment stablecoins. The Proposal clarifies that OCC PPSIs may assess fees in connection with redemption, although this authority would be limited in certain circumstances where the OCC requires an issuer to redeem because it fails to meet regulatory requirements, such as minimum capital standards.
- Managing reserves related to the issuance or redemption of payment stablecoins (including purchasing, selling and holding reserve assets or providing custodial services for reserve assets). The Proposal indicates that an OCC PPSI would be able to custody its own reserve assets.
- Providing custodial or safekeeping services for payment stablecoins.
- Ancillary activities that directly support any of the above. The Proposal notes that permissible ancillary activities include holding a non-payment stablecoin crypto-asset as principal for purposes of testing a distributed ledger.

Consistent with the GENIUS Act's Section 16(b), the Proposal would also permit an OCC PPSI to transact in payment stablecoins as principal or agent. In addition, the OCC notes that an OCC PPSI may pay customer transaction or "gas" fees on behalf of a customer and hold crypto assets as principal to facilitate the payment of such fees (such assets could not be reserve assets).

The Proposal also discusses Sections 4(a)(7)(B) and 16(a) of the Act, noting that these sections mean that "an uninsured national bank that is a permitted payment stablecoin issuer may engage in fiduciary, trust, and other related activities consistent with applicable law" and that if an OCC PPSI that seeks to engage in digital asset service provider activities or activities incidental thereto, the activity must be independently authorized under another source of law. The Proposal notes that the OCC encourages OCC PPSIs seeking clarity on whether they can engage in such activities to ask the OCC directly.

Consistent with the GENIUS Act, OCC PPSIs and covered custodians (and their sub-custodians, if applicable) are generally prohibited from:

- Pledging, rehypothecating or reusing any payment stablecoin reserves.
- Using a deceptive name for a stablecoin, including names that imply a connection to the U.S. Government like "United States," "United States Government" or "USG". Abbreviations that are pegged to a currency, like USD, are not prohibited.

Yield sharing

Section 4(a)(11) of the GENIUS Act prohibits a PPSI or foreign payment stablecoin issuer from "pay[ing] the holder of any payment stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such payment stablecoin." Citing its authority to issue rules to carry out this prohibition, including to "prevent evasion thereof," the Proposal would create a rebuttable presumption that an OCC PPSI or foreign payment stablecoin issuer is providing prohibited payments of yield or interest if:

- the issuer has an arrangement with an affiliate or a related third party to pay interest or yield to the affiliate or related third party; and
- such affiliate or related third party (or affiliate of such related third party) has an arrangement to pay interest or yield (whether in cash, tokens or other consideration) to a holder of the payment stablecoin solely in connection with the holding, use or retention of such payment stablecoin.

As discussed above, the Proposal uses the BHC Act's definition of "affiliate." The Proposal defines a "related third party" to mean (1) "any person paying interest or yield to payment stablecoin holders as a service" and (2) "any person that the issuer issues payment stablecoins on behalf or under the branding of" (i.e., white-label issuers). The precise scope of the phrase "as a service" in the first prong of the definition of "related third party" is not entirely clear. The preamble notes only that it refers to the payment of interest or yield "on behalf of" an issuer, which may capture yield-as-a-service providers and similar intermediary models.

The Proposal also includes two examples of arrangements that would *not* trigger the rebuttable presumption:

- A merchant that independently offers a discount to a payment stablecoin holder for using payment stablecoins; and
- An OCC PPSI sharing in the profits derived from the payment stablecoin with a non-affiliated partner in a white-label arrangement.

Reserve asset requirements

Consistent with the GENIUS Act, the Proposal specifies the types of assets that qualify as permissible reserve assets:

1. U.S. coins, currency, Federal Reserve notes and money standing to the credit of an account with a Federal Reserve Bank;
2. Deposits and insured shares payable on demand held at IDIs or insured credit unions (subject to any FDIC or NCUA limitations);
3. Treasury bills, notes or bonds with a remaining maturity of 93 days or less;
4. Overnight repurchase agreements backed by Treasury bills with a maturity of 93 days or less;
5. Overnight reverse repurchase agreements collateralized by Treasury securities (tri-party, centrally cleared or bilateral with a creditworthy counterparty);
6. Securities issued by a registered investment company or other government money market funds, investing solely in categories (1) through (5);
7. Other similarly liquid federal government-issued assets approved by the OCC; and
8. Tokenized forms of reserves in categories (1) through (3), (6) and (7), provided such reserves comply with applicable law.

The Proposal requires OCC PPSIs to maintain reserve assets that:

- **Are identifiable.** OCC PPSIs must maintain records and policies to ensure ownership and legal title are adequately documented.
 - Any ownership arrangements between an OCC PPSI and a custodian (and between a custodian and sub-custodian, if applicable) must comply with applicable laws and regulations.
 - The OCC expects reserve assets to be recorded on the OCC PPSI's balance sheet under GAAP and, for a parent insured national bank or FSA, to be included in call reports.
- **Are segregated and not commingled with other assets of the OCC PPSI.**
- **Have a total fair value that exceeds or equals the outstanding issuance value at all times.** Fair value would be based on the market value of the reserve assets, whereas issuance value would be based on the par value of outstanding payment stablecoins.
- **Are either held directly by the OCC PPSI or within the custody of an eligible financial institution.** An eligible financial institution is defined as (1) a person eligible to hold reserve assets in custody under Section 10(a) of the GENIUS Act (i.e., persons subject to certain regulation and supervision at the federal or state level) and that complies with the Proposal's custody requirements or (2) Federal Reserve Banks.

Issuers must be able to demonstrate their ability to quickly monetize reserve assets. The OCC does not mandate any specific monetization capabilities, and the Proposal suggests that OCC PPSIs maintain multiple alternative methods of monetization (e.g., multiple lines of repo agreements or repo agreement lines with the ability to purchase Treasury positions outright) tailored to their risk profiles. The Proposal also suggests engaging in periodic test transactions using multiple monetization channels to mitigate concerns about a run on redemptions, particularly for large systemically important issuers.

The Proposal includes two potential ways the OCC is considering implementing the GENIUS Act's reserve asset diversification requirements. Option A would consist of a principles-based general requirement and an optional safe harbor containing quantitative requirements. Option B would make the quantitative requirements mandatory for all OCC issuers. The OCC seeks comment on both options.

– Option A:

- **General requirement.** An OCC PPSI must “maintain reserve assets that are sufficiently diverse to manage potential credit, liquidity, interest rate, and price risks . . . [and] measure and manage the risk that concentrating reserve assets at one eligible financial institution or a small number of eligible financial institutions may impair the ability of a permitted payment stablecoin issuer to satisfy redemption demands.”
- **Optional safe harbor.**
 - At least 10% of required reserve assets are (1) deposits held at IDIs or insured shares held at insured credit unions payable on demand or (2) money standing to the credit of an account with a Federal Reserve Bank and

- no more than 50% of the value of these assets are maintained at any single eligible financial institution;
 - At least 30% of its required reserve assets are deposits or insured shares payable upon demand, money standing to the credit of an account with a Federal Reserve Bank or amounts receivable and due unconditionally within five business days on pending sales of reserve assets, maturing reserve assets or other maturing transactions;
 - No more than 40% of its reserve assets are maintained at any single eligible financial institution; and
 - Its total stock of reserve assets has a weighted average maturity of no more than 20 days.
- **Option B:** An OCC PPSI must observe the safe harbor requirements of Option A.

In either Option A or B, an OCC PPSI with \$25 billion or more in outstanding issuance must, on each business day, maintain at least 0.5% of reserve assets in the form of insured deposits or insured shares at an IDI, up to a cap of \$500 million. The Proposal notes that the OCC may revisit this requirement if deposit insurance requirements change and invites comment on alternative ways to address deposit insurance of reserve assets held as deposits.

An OCC PPSI must make publicly available a monthly composition report containing the total number of outstanding payment stablecoins issued by the issuer and the fair-value amount and composition of the reserves, including the average tenor and geographic location of custody of each category of reserve instruments. This monthly composition report must be examined by a registered public accounting firm and certified by the OCC PPSI's CEO and CFO. Failure to satisfy reserve asset requirements, even for a day, would result in immediate suspension of new issuance (other than to facilitate a transfer of payment stablecoins from one distributed ledger to another, provided that the net outstanding issuance value does not increase). If an OCC PPSI fails to meet its reserve asset requirements for 15 consecutive business days, it must begin liquidation of reserve assets and redemption of outstanding payment stablecoins. During the wind-down, an OCC PPSI may not issue new stablecoins going forward or charge redemption fees.

Redemption

Consistent with the GENIUS Act, the Proposal would add requirements that an OCC PPSI publicly disclose its redemption policy and set forth outer parameters for redemption requirements.

- In general, OCC PPSIs must redeem a payment stablecoin no more than two business days following receipt of the requested redemption. The two-business day requirement would implement the GENIUS Act's requirement of "timely" redemptions.
- If redemption demands exceed 10% of an OCC PPSI's outstanding issuance value within a 24-hour period, redemptions *must* be delayed for seven calendar days unless a shorter period is approved by the OCC.
- The redemption policy must explain to payment stablecoin holders the scenarios under which the redemption period may be extended and clearly describe any fees associated with redemption. The Proposal also requires issuers to prominently and publicly disclose, in plain language, the issuer's name, the obligation to redeem, a link to monthly reserve composition reports and all applicable fees. Any changes to fees require at least seven calendar days' prior notice to customers.

Risk management, audits and supervision

The Proposal would impose the following risk management requirements:

- **Safe-keeping.** The Proposal would generally implement the requirements contained in the July 2025 [joint agency statement](#) on Risk Management Considerations for Crypto-Asset Safekeeping.
- **Insider and affiliate transactions.** The Proposal would require that transactions between the OCC PPSI and affiliates or insiders are (1) not excessive and do not pose significant risks of material financial loss, (2) conducted on arms-length business terms and (3) are documented and reviewed by the OCC PPSI's board of directors. The broad definition of "affiliate" used in the Proposal is generally consistent with how affiliates are defined under the Federal Reserve's Regulation W, and so should integrate easily with existing compliance procedures for entities subject to Regulation W.
- **Third-party risk management.** The OCC anticipates that any updates to the OCC's Third-Party Risk Management guidance will explicitly address OCC PPSIs.

- **Examinations.** The OCC would conduct a full-scope examination of OCC PPSIs at least once during each 12-month period, mirroring the current approach taken with national banks and FSAs. Full-scope examinations could be extended to 18- to 36-month cycles for some OCC PPSIs if:
 - There are no current outstanding formal enforcement proceedings;
 - No person has acquired control of the OCC PPSI (as defined in the OCC's Change in Bank Control Act regulations) within the preceding 12-month period;
 - The OCC PPSI has an outstanding issuance value of less than \$1 billion or less than \$25 billion in total monthly trading volume; and
 - The OCC PPSI is in compliance with all of the Proposal's reserve and reporting requirements.
- **Reporting.** The Proposal would require OCC PPSIs to submit on a weekly basis, in the manner and form specified by the OCC, a confidential report containing information regarding the issuance and redemption, trading volume and reserve assets for each payment stablecoin it issues.
 - The report would include information relating to the blockchains the payment stablecoin is issued on, outstanding issuance value, secondary market activity and price movement, redemption volume and times, detailed information regarding reserve assets and other relevant information.
 - The Proposal would also require OCC PPSIs to submit quarterly reports of financial condition to the OCC. This report would cover the OCC PPSI's income statement, expenses, balance sheet, reserves, changes in equity, investments, capital, outstanding issuance value and assets under custody. The OCC has also indicated it may require additional reporting to facilitate calculation and monitoring of capital requirements.
- **Audits.** As noted above, the Proposal requires an OCC PPSI's monthly composition report to be examined by a registered public accounting firm. In addition, OCC PPSIs with more than \$50 billion in outstanding payment stablecoins that are not subject to federal securities laws reporting requirements must prepare annual financial statements in accordance with GAAP. These financial statements must be audited by a registered public accounting firm. OCC PPSIs subject to these audited annual financial statement requirements would have to make such audited financial statements publicly available on their websites and submit them to the OCC.

Transition to federal oversight for state qualified payment stablecoins

A state qualified PPSI that is a nonbank entity that exceeds \$10 billion in outstanding issuance value is required under the GENIUS Act to transition to OCC oversight within 360 days of crossing that threshold, unless the state issuer immediately ceases issuance until it drops below that threshold. The Proposal would require any such state nonbank issuer to submit an analysis to the OCC of the issuer's current capital position and anticipated capital needs to maintain ongoing operations, within 270 days of crossing the \$10 billion threshold.

As specified in the GENIUS Act, the Proposal contemplates that the OCC may waive the requirement that a nonbank state qualified PPSI that reaches \$10 billion in outstanding issuance value transition to OCC supervision in the OCC's sole discretion based on the following factors:

- the capital maintained by the state issuer;
- the past operations and examination history of the state issuer;
- the experience of the relevant state regulator in supervising payment stablecoin and digital asset activities; and
- the supervisory framework, including regulations and guidance, of the state qualified payment stablecoin issuer with respect to payment stablecoins and digital assets.

The OCC will presumptively approve a waiver request if the relevant state regulator has (1) established a prudential regulatory regime for the supervision of digital assets or payment stablecoins as of April 19, 2025 that has been certified as "substantially similar" pursuant to the GENIUS Act and (2) approved one or more issuers to issue payment stablecoins under the supervision of such state regulator.

OCC authority in unusual and exigent circumstances

The GENIUS Act also authorizes the OCC to exercise authority over state nonbank PPSIs in unusual or exigent circumstances, regardless of the PPSI's outstanding payment stablecoin issuance value. The Proposal sets forth standards detailing what qualifies as "unusual and exigent circumstances" in which the OCC would exercise its authority

over nonbank state qualified payment stablecoin issuers. In determining whether such circumstances exist, the OCC would consider:

- Whether the state issuer is, or is expected to imminently be, engaging in an activity (including any act, practice or omission) that poses an immediate risk to the financial safety, soundness or stability of the issuer or the U.S. financial system;
- The actions of the relevant state regulator to promptly address such risks;
- Risks presented to payment stablecoin holders; and
- Any other factors that the OCC finds appropriate.

Custody requirements

The Proposal includes custody requirements for “covered assets”—defined as payment stablecoin reserves, payment stablecoins used as collateral, private keys used to issue payment stablecoins and cash and other property received while providing custodial or safekeeping services for such assets (e.g., interest or yield generated by custodied reserve assets). The Proposal’s custody requirements would apply to “covered custodians”—defined as OCC-supervised institutions, which consist of national banks, FSAs, federal branches and OCC PPSIs, as well as sub-custodians for OCC-supervised institutions. Notably, an OCC PPSI may serve as custodian for covered assets related to the payment stablecoin it issues. Consistent with Section 10(e) of the GENIUS Act, none of the custody requirements in the Proposal would apply to a person solely on the basis that such entity engages in the business of providing hardware or software to facilitate self-custody of payment stablecoins or private keys.

A covered custodian must, with respect to the custody of covered assets:

- Separately account for covered assets of each covered customer. The custodian may keep covered assets in an omnibus account with assets from multiple customers so long as the funds are not commingled with the custodian’s own funds. An exception is made for cash that can be commingled to the extent an insured national bank or FSA custodian holds such cash in the form of cash on deposit and does so consistent with federal law.
- Take appropriate steps to protect the covered assets from the claims of creditors of the covered custodian and any sub-custodian, including through adopting, implementing and maintaining written policies, procedures and internal controls commensurate with its risk profile. Custodians may, however, withdraw and apply a share of the covered assets as needed to transfer, adjust or settle a transaction or transfer to a covered customer. Withdrawals can be made to cover payment of charges accruing in connection with the custodian’s services without the affirmative consent of the covered customer.
- Maintain possession or control over covered assets held directly, such as digital wallets with associated private keys.

Control through a sub-custodian is permitted if the custodian has adequate controls in place to oversee the sub-custodian’s requirements with custody rules.

A custodian (or sub-custodian, if appropriate) will be deemed to control such assets when no other party other than the custodian or sub-custodian, including the covered customer, could transfer the payment stablecoin or tokenized asset without the consent of the custodian or sub-custodian.

As discussed with respect to reserve asset requirements, the Proposal would require an OCC PPSI to enter into a custody agreement with an eligible financial institution to act as a covered custodian. The custody agreement would ensure that the eligible financial institution maintains baseline compliance with the GENIUS Act’s custody requirements.

Licensing of domestic payment stablecoin issuers

As required by the GENIUS Act, the Proposal lays out a process for interested parties to apply for and obtain a license to become an OCC PPSI. The licensing framework is modeled on the process for obtaining a national bank charter.

- **Application contents.** An applicant must submit an application form, the contents of which are as-yet unspecified but will presumably cover the review factors below. The use of a form differs from the FDIC’s [proposed rule](#) to establish application procedures under the GENIUS Act, which would permit use of a letter application. Each director, executive officer and principal shareholder of the proposed PPSI must also go through the Interagency Biographical and Financial Report process, including, should the OCC deem it necessary, fingerprinting and a criminal background check.

- **Submission logistics.** Consistent with the OCC’s existing filing procedures in 12 C.F.R. § 5.4, an application should be submitted to the relevant OCC licensing office and must be accompanied by a certification that the materials do not contain any material misrepresentations or omissions.
- **Review factors.** Under the Proposal, the OCC will evaluate an application based on the review factors specified in the GENIUS Act, which is the same approach the FDIC has proposed. Although the GENIUS Act provided a delegation of authority for the OCC to consider other factors necessary to ensure the safety and soundness of the PPSI, the OCC chose not to include any additional factors (but sought comment on this decision). Thus, as proposed, the OCC’s review will be limited to the GENIUS Act’s four statutory factors:
 - 1. The applicant’s ability, based on financial condition and resources, to meet the substantive requirements for issuing payment stablecoins;
 - 2. Whether the officers or directors have been convicted of certain felonies, such as insider trading, embezzlement, cybercrime, money laundering, financing of terrorism or financial fraud;
 - 3. The competence, experience and integrity of relevant officers, directors and principal shareholders, including their compliance record and ability to fulfill OCC-imposed commitments or conditions; and
 - 4. Whether the applicant’s redemption policy meets the Proposal’s redemption requirements.
- **Review timing.** The timing for review of applications is consistent with the statutory process set out in the GENIUS Act. The OCC will initially review an application for substantial completeness and notify applicants within 30 days of receipt whether the application meets such standard. Once a substantially complete submission is received, the OCC will have 120 days to reach a decision, otherwise the application is approved by default.
- **OCC investigation.** Like under the OCC’s existing chartering regulations, the Proposal grants the OCC the power to examine, investigate and evaluate facts related to an application to reach an informed decision about the application.
- **Decisions and appeals.** As mandated under the GENIUS Act, the OCC may only deny an application if it determines that the applicant would operate in an unsafe or unsound manner based on the review factors described above. Applicants may request a hearing to appeal the OCC’s denial of its application under a de novo standard of review. As we recently noted in our [client update](#) on OCC and FDIC supervisory appeals, the OCC has departed from its previous guidelines, which did not specify a standard of review for administrative appeals.

Safe Harbor for pending applications

As discussed above, only PPSIs may issue payment stablecoins in the United States following the effective date of the GENIUS Act. Section 5(f) of the Act permits the primary federal stablecoin regulators to establish a safe harbor and waive requirements of the Act (including the licensure requirement described above) for up to 12 months for subsidiaries of an IDI and federal qualified payment stablecoin issuers with a pending application as of the Act’s effective date. The Proposal implements this safe harbor, stating the OCC would require a written request from an applicant that makes a sufficient showing of why the waiver should be granted. The OCC will grant a waiver if it finds that the waiver would be in the public interest or that extraordinary circumstances justify it.

The OCC anticipates that it may begin evaluating any submitted requests for a waiver after issuance of the Proposal in the form of a final rule but before such final rule becomes effective. Because this Proposal also covers the application process, this suggests the OCC will begin evaluating applications before the Proposal is finalized. The Proposal also preserves the OCC’s ability to ultimately deny a PPSI license application even if it previously granted the applicant a waiver.

Registration of foreign payment stablecoin issuers

The GENIUS Act includes a relatively robust regulatory regime for foreign payment stablecoin issuers. Under the Act, a payment stablecoin issued by a foreign payment stablecoin issuer cannot be issued in the U.S. or traded on U.S. custodial trading platforms unless (1) the foreign payment stablecoin issuer satisfies a safe harbor to be established by the Treasury Secretary or (2) the issuer:

- complies with lawful orders to seize, freeze, burn or prevent the transfer of outstanding stablecoins;
- is subject to a “comparable” regulatory regime, as determined by the Treasury Secretary upon a recommendation by each of the other members of the Stablecoin Certification Review Committee (the chair of the Federal Reserve and the chair of the FDIC);
- registers with the OCC and becomes subject to OCC oversight;

- holds reserves in U.S. financial institutions sufficient to meet liquidity demands of U.S. customers; and
- is not domiciled and regulated in a jurisdiction subject to comprehensive U.S. economic sanctions or determined by the Treasury Secretary to be a jurisdiction of primary money laundering concern.

The Proposal includes further elaboration of the above conditions. In particular, the rules to implement the registration and OCC oversight condition would essentially subject foreign payment stablecoin issuers to the same reporting, supervision and examination requirements as domestic PPSIs.

Substantive oversight of foreign payment stablecoin issuers

Under the Proposal, each foreign payment stablecoin issuer would have to:

- Fully accede to any request by the OCC regarding reporting, supervision or examination.
- Produce the same reports as a domestic OCC PPSI and any other reports the OCC may require. This requirement would include the obligation to submit change in control filings, but the OCC has indicated in the preamble to the Proposal that it may narrow such requirement based on the volume of payment stablecoins from such issuer circulating in the United States.
- Be subject to examinations at the same frequency as domestic OCC PPSIs.
- Comply with the same restrictions on payment of interest or yield as other OCC PPSIs.

Registration process

The Proposal would require foreign payment stablecoin issuers to register with the OCC by (1) filing an application form, (2) providing evidence that the Treasury Secretary has determined that the applicant is subject to a regulatory and supervisory regime in their home country comparable to the GENIUS Act, (3) certifying that the applicant will provide all necessary information to the OCC, (4) consenting to U.S. jurisdiction for the enforcement of the GENIUS Act and (5) certifying that the application contains no material misrepresentations or omissions. A registration application is deemed approved 30 days after receipt unless the OCC notifies the applicant in writing that it has been rejected.

The GENIUS Act did not grant the OCC power to add additional review factors in its consideration of foreign payment stablecoin issuer registration applications. Thus, the OCC will consider the five factors specified in the GENIUS Act:

1. Whether the Treasury Secretary determined that the foreign payment stablecoin issuer is subject to a comparable regulatory and supervisory regime in its home country;
2. The financial and managerial resources of the foreign payment stablecoin issuer's U.S. operations;
3. Whether the foreign payment stablecoin issuer will provide adequate information to the OCC to determine compliance with the GENIUS Act and the OCC's implementing regulations;
4. Whether the foreign payment stablecoin issuer presents a risk to U.S. financial stability, including risks relating to ensuring timely redemption for United States customers; and
5. Whether the foreign payment stablecoin issuer presents illicit finance risks.

Like the decisions and appeals process for domestic OCC PPSIs, the OCC may reject a registration application, and any rejected applicant may request a hearing to appeal the determination. All appeals will be reviewed under a de novo standard, and the OCC must notify the foreign stablecoin issuer of its final determination in writing.

The OCC also proposes to require any foreign payment stablecoin issuer to comply with certain additional supervisory requirements as a condition to approving a registration request:

- **Full access to books and records.** A foreign payment stablecoin issuer must grant the OCC access to all of its books, records and personnel with corresponding English translations.
- **Reserves in U.S. financial institutions.** A foreign payment stablecoin issuer must provide evidence that it holds sufficient reserves in U.S. financial institutions to meet redemption demands of U.S. customers.
- **Monthly reporting.** In connection with the reserve sufficiency requirement, the foreign payment stablecoin issuer must submit monthly reports disclosing the total number of outstanding payment stablecoins issued and held by U.S. customers and the composition of its reserves, among other things.

Capital and risk management requirements

The Proposal includes minimum capital requirements for OCC PPSIs. The proposed requirements incorporate aspects of the OCC's existing capital rules in 12 C.F.R. Part 3 and are generally consistent with the OCC's approach to setting capital requirements for recent digital asset NTB applicants.

Key aspects of proposed capital rules

– Tailored requirement set by the OCC during the de novo period.

- Under the Proposal, the OCC will set a specific capital minimum that an OCC PPSI must observe during its “de novo period”—i.e., generally the three-year period following chartering or licensing by the OCC of the PPSI or, in the case of state qualified payment stablecoin issuers, transitioning to the OCC's regulatory framework. The OCC may extend or shorten the de novo period depending on the PPSI's performance, including based on factors such as issuance/redemption volatility.
- The OCC plans to base this requirement on an individualized evaluation of the applicant's projected revenues and expenses, cash burn rate and expenditures needed for the proposed business plan.
- This approach is similar to the OCC's existing approach for NTBs under [OCC Bulletin 2007-21](#), and the Proposal specifically references recent approvals for national trust banks engaging in stablecoin issuance programs—in which specific minimum capital levels and liquid asset thresholds were specified in charter approvals—as examples of what de novo requirements may look like.
- The minimum de novo capital requirement would be \$5 million.

– Ongoing requirement following de novo period.

- The Proposal does not specify a particular minimum capital level or ratio following the de novo period but rather requires that an OCC PPSI “maintain capital commensurate with the level and nature of all risks to which the [PPSI] is exposed.” The precise amount which would satisfy this obligation is to be based on estimates submitted during the chartering phase and after approval. The OCC will monitor capital adequacy through the examination process.
- The Proposal indicates that the OCC may provide more specific rules/guidance on ongoing requirements as OCC PPSIs are launched and progress through their de novo periods.

– Only tier 1 common equity and additional tier 1 instruments eligible.

- Only common equity tier 1 capital and additional tier 1 capital would be eligible capital under the Proposal. These terms are defined in essentially the same manner as under the OCC's existing capital rules for national banks. Common equity, retained earnings and certain perpetual preferred shares can be used to meet these requirements.
- One notable difference from existing bank capital requirements is that OCC PPSIs would not be permitted to exclude accumulated other comprehensive income (AOCI) from their capital calculations. Under the OCC's existing capital rules banks that are not advanced approaches banks may opt out of including AOCI in their tier 1 capital, reducing interest rate driven volatility of their capital measures. In the Proposal, the OCC indicates that it views such an opt out as largely inconsequential for OCC PPSIs as such entities would only be permitted to hold short maturity (93 days or less) securities as reserve assets.
- Tier 2 capital instruments, such as subordinated debt, would not be eligible capital under the Proposal. The Proposal explains that, if such instruments were permitted, OCC PPSIs may take on additional leverage, increasing the pressure and risk on the issuer to generate enough income to repay that obligation.
- The Proposal indicates the OCC may be open to setting capital requirements in a way that would be more consistent with existing accounting practices, such as counting any GAAP equity as capital or any tangible GAAP equity as capital. These alternative approaches may prove easier to implement for nonbank applicants for OCC PPSI licenses who may be less familiar with bank capital requirements.

– No deductions.

- The Proposal would not require any specific deductions from regulatory capital instruments for OCC PPSIs. The OCC's current rules for national banks in 12 C.F.R. Part 3 require deductions from capital for goodwill, other intangible assets and certain other assets such as mortgage servicing assets greater than a specified amount of capital.

- The OCC notes it is considering a deduction framework and requests comment on whether to implement one.
- **Operational backstop.**
- The Proposal would require an OCC PPSI to maintain, separately from any reserve assets backing its issued payment stablecoins, assets equal to 12 months of expenses in certain types of highly liquid assets (U.S. coin or currency, money standing to the credit of an account with a Federal Reserve Bank, federally insured demand deposits or Treasuries with a remaining or issued maturity of 93 days or less).
 - The backstop amount would be calculated quarterly based on the preceding four quarters' total expenses. If, at the end of any quarter, the OCC PPSI does not satisfy the requirement, new issuance (other than to facilitate a transfer of payment stablecoins from one distributed ledger to another, provided that the net outstanding issuance value does not increase) would be prohibited until the deficiency is cured.
 - Failure to meet the backstop or minimum capital requirement at the end of two consecutive quarters would require the OCC PPSI to begin redeeming outstanding stablecoins and liquidating reserve assets at the start of the following month, and the OCC PPSI may not issue new stablecoins going forward or charge redemption fees during the wind-down.
- **Potential additional requirements.** The Proposal includes a process for the OCC to impose additional capital or liquidity requirements on an issuer based on specific facts and circumstances, such as if the issuer may be adversely affected by the activities or condition of its affiliate(s).

The Proposal would permit uninsured NTBs, regardless of whether they are PPSIs, to elect to follow OCC PPSI capital requirements as opposed to the existing OCC capital requirements for national banks in 12 C.F.R. Part 3.

Consideration of variable capital components

The Proposal indicates that the OCC considered certain variable capital components based on specific risk factors—such as size of outstanding issuance, operational risk, interest rate risk and credit risk—but has not proposed to implement such variable components. For example, the OCC considered:

- A tiered requirement of 1% additional capital for stablecoin reserves or outstanding issuance value up to \$10 billion, 0.4% for reserves or outstanding issuance value between \$10 billion and \$50 billion and 0.2% for reserves or outstanding issuance value greater than \$50 billion. This approach would be intended to address operational, liquidation and related risks of larger reserve pools.
- A surcharge on reserve instruments exposed to considerable interest rate risk, such as Treasuries and repurchase agreements.
- A 0.4% capital charge on uninsured deposits.
- To address the risk of foreclosing upon longer-maturity collateral for reverse repurchase agreements, implementing a similar market price volatility haircut applied as that imposed on national banks in 12 C.F.R. § 3.37.
- Implementing a capital charge requiring looking through to the underlying assets of a money market fund, similar to how equity exposures to an investment fund are currently treated under 12 C.F.R. § 3.33.
- Implementing a variable component based on the fair value of assets under custody. This would be a significant difference from NTB capital requirements, as the OCC generally does not impose capital charges on NTB custodial assets.

Among other reasons, the OCC declined to propose such variable components because it believes they would introduce unnecessary complexity and that the reserve asset diversification requirements described above would address a number of the relevant risks. The OCC also expressed a policy concern that risk-based capital charges on specific reserve asset types could discourage issuers from holding deposits at community banks.

Separate treatment of OCC PPSI capital from parent capital

Consistent with the GENIUS Act—which directs that parent IDIs or depository institution holding companies cannot have additional capital charges imposed due to affiliation with a PPSI—the Proposal amends 12 C.F.R. Part 3 to implement separate capital treatment for OCC PPSIs that are consolidated subsidiaries of an insured national bank or FSA. Assets held at the OCC PPSI do not count towards the parent's capital and the parent is not required to hold additional capital against its investments in the OCC PPSI.

The OCC is also considering whether certain regulations that impose different requirements at different asset thresholds should be amended to exclude stablecoin reserves from the asset calculation.

Fee assessments for OCC PPSIs

The OCC funds its supervisory operations through assessments on national banks and FSAs based on their total consolidated assets. Under the Proposal, OCC PPSIs will be subject to this existing approach with targeted modifications. The assessment value for all assets other than minimum stablecoin reserve assets will be calculated in the same manner as for non-PPSI national bank and FSA assets. The assessment value associated with minimum stablecoin reserve assets will be calculated according to the same procedure but at a discount to reflect the lower expected costs of supervising OCC PPSIs compared to full-service banks. The discount rate will be announced annually, and the Proposal indicates the discount rate will be at least 35% and could be increased to up to 55% and may go up further over time as the OCC gains more experience and efficiency in OCC PPSI supervision. The discount will only be applied to stablecoin reserve assets up to the amount required under the OCC's regulations. Voluntarily held excess reserves would be assessed in the same manner as non-reserve assets. For OCC PPSIs unaffiliated with a national bank or FSA, the Proposal requires quarterly reporting on total consolidated assets, similar to that provided in call reports, to facilitate the application of this requirement.

Special assessment for certain GENIUS Act custodians

The Proposal also would impose a special assessment on any entity subject to semiannual assessments—including all OCC PPSIs—for which 50% or more of their interest and non-interest income is derived from custodial or safekeeping activities under the GENIUS Act. This is similar to an existing OCC special assessment on independent trusts (which the Proposal would also amend) and is intended to ensure institutions whose activities are primarily related to GENIUS Act custody activities are not under-assessed. The OCC's reasoning is that semiannual assessments focus only on an institution's own assets and so do not fully capture other businesses, for example, trust activities. The new custodial activity assessment would constitute an unspecified minimum fee and, for all entities with more than \$1 billion in assets related to their GENIUS Act custodial activities, an additional marginal rate that is expected to be calculated consistently with the existing special assessment on independent trusts. This means that OCC-regulated entities that have a business model focused primarily on custody of stablecoin reserves as opposed to issuance will still see meaningful assessment fees if the final rule reflects the Proposal.

Implementation of GENIUS Act-required procedures

The GENIUS Act requires that the OCC follow specific procedures when bringing certain enforcement actions or imposing civil money penalties against an OCC PPSI for violations of the GENIUS Act, any regulation or order issued under the Act or any condition imposed in writing between the OCC and an OCC PPSI. The Proposal has addressed this requirement by amending the OCC's existing regulations for enforcement procedures at 12 C.F.R. Part 19 to clarify they apply to OCC actions seeking suspension or revocation of registration, cease-and-desist orders, temporary cease-and-desist orders, removal and prohibition orders or civil money penalties for violations of the GENIUS Act. The Proposal also extends the OCC's formal investigation procedures to formal investigations related to the GENIUS Act.

What the rule does not cover

The GENIUS Act imposes a significant number of rulemaking requirements on the OCC and other agencies. These are described in our [client update](#) on the enactment of the GENIUS Act. The OCC's bulletin accompanying the Proposal characterizes the Proposal as addressing all of the OCC's rulemaking obligations other than with respect to BSA/AML.

A number of other important rulemakings will be issued by other agencies under the Act:

- The Treasury Department has yet to issue proposed regulations implementing Section 3 of the Act, specifically the prohibition on issuing a payment stablecoin without a license and certain safe harbors. To date, the Treasury Department has only released an [Advanced Notice of Proposed Rulemaking](#) (ANPRM) in September 2025 on this topic.
- The Treasury Department has yet to issue a proposal for BSA/AML regulations for PPSIs, although it did seek input on this topic in its September 2025 ANPRM.

- The Treasury Department is required to issue broad-based principles for determining whether a state-level regulatory regime is “substantially similar” to the federal regulatory framework within one year of the Act’s enactment. These principles will be used by the Stablecoin Certification Review Committee to determine whether state PPSI licensing regimes are compliant with the GENIUS Act requirements. Treasury sought input on this topic in its September 2025 ANPRM.
- The Stablecoin Certification Review Committee is itself required to issue an interpretive rule within one year of the Act’s enactment describing the standards for when a public nonfinancial company may be permitted to issue a payment stablecoin within the United States.
- The Federal Reserve is required to issue regulations applying the Act’s anti-tying restrictions.

In addition to the above, the other federal stablecoin regulators are required to issue rules implementing the relevant provisions of the GENIUS Act, including with respect to licensing and supervision of PPSIs subject to their jurisdiction. The FDIC recently released a notice of proposed rulemaking outlining its proposed PPSI application process (covered in our recent [client update](#)), but the vast majority of the FDIC and Federal Reserve’s rulemakings to implement the Act have not yet been released.

Resources

Crypto Regulation Hub

Visit our Crypto Regulation Hub for links to congressional proposals related to the regulation of crypto assets and other helpful materials.

[Explore our crypto resources](#)

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