



2025 – The year of payment
stablecoins: The GENIUS Act
is law, now what?

Stablecoin legislation is official. Now banks and nonbanks alike will need to respond to the paradigm shift.

On July 18, 2025, the [Guiding and Establishing National Innovation for US Stablecoins \(GENIUS\) Act](#) (Act) was signed into law, creating a federal regulatory framework for payment stablecoins (PSCs).¹ The Act establishes a legal definition of PSCs and places responsibility for their regulatory oversight with banking regulators. Under the legislation, PSC issuers will need to meet prudential standards similar to traditional bank regulations, and both federal and state-chartered entities will be able to issue PSCs.

The Act represents a watershed moment for digital assets, establishing a regulatory framework that fundamentally reshapes how both banks and nonbank entities can interact with stablecoins. This will likely have broad ramifications beyond just stablecoins by altering how money is viewed, transacted, and engaged within the United States and beyond.

While significant work by federal banking regulators will be required to fully implement the law, its passage marks a breakthrough that will drive innovation, increase competition, introduce new risks, and transform the financial sector and broader economy. With a concrete federal regulatory framework in place, we expect another payment rail to be added to the mix of options corporates and retail customers have, enabling funds to be transferred, settled, and cleared almost instantaneously and at any time.

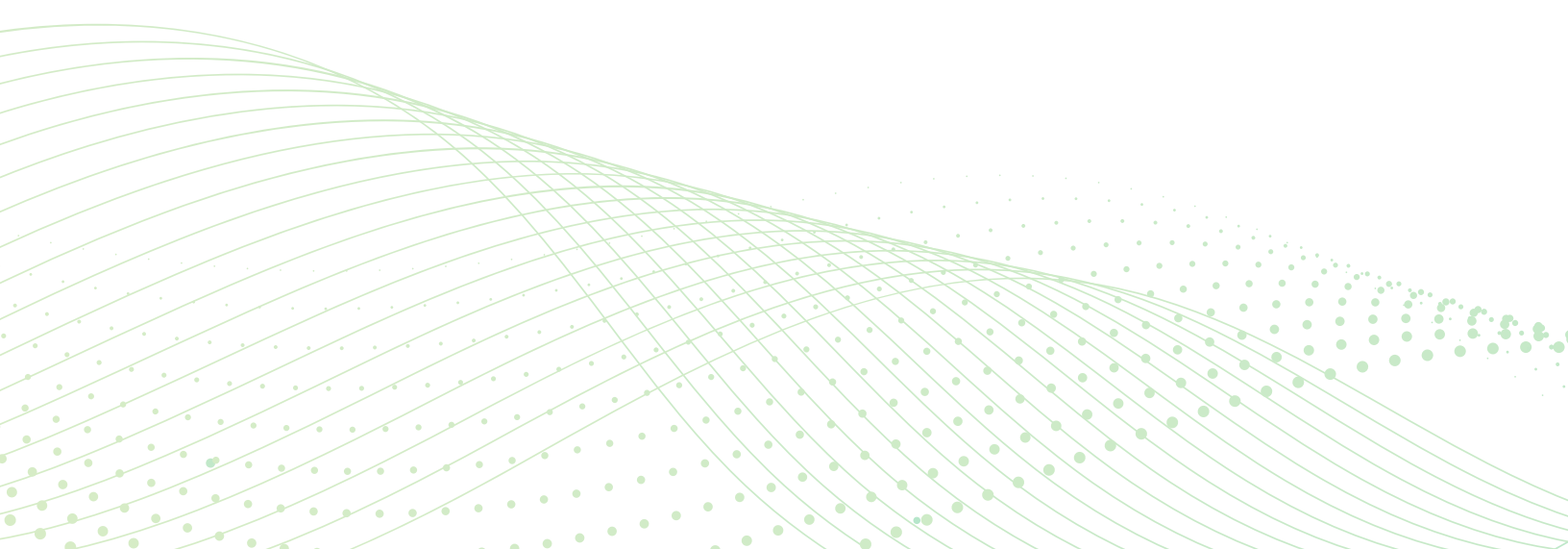
The time to act is now. Whether you are a maximalist who believes that the PSC market could grow to more than \$2 trillion by 2028,² or have less lofty expectations, it is clear PSCs are a national priority, with President Donald Trump saying PSCs would “promote and expand the sovereignty of the US dollar.”³

Banks and nonbanks alike should assess the potential impact of the law on current and future opportunities and assemble cross-functional leadership teams to align on a strategic response.

We see five primary paths for market participants:

1. Become an issuer (or join forces);
2. Facilitate PSC market activity (through wallets, payment rails including custody);
3. Provide transaction bank / reserve management support (off-ramp for PSCs into fiat);
4. Integrate use of PSCs into existing commercial transactions;
5. Pursue tokenized deposits.

Amid the PSC fervor, bank leaders should remain focused on the potential role tokenized deposits⁴ can play versus PSCs. Given the limitations banks will have in lending against PSCs, and the potential balance sheet impacts of PSCs, more work is needed. More work is also needed to drive the interoperability of tokenized deposits across the financial system.



Leadership teams are faced with a choice. What minimum steps will they take?

Differentiating between noise and signal will be

critical. The following are key factors that we are looking at around the pace and rate of PSC adoption:

- Corporate behaviors and views on PSC security and usage (e.g., is the money safe traveling across decentralized networks?)
- Level of friction in setting up wallets
- Platform/nonbank approaches to incentivize PSC use (e.g., 1% reward or returns if you use PSCs)
- Ability or restrictions on the offer of rewards or other incentives
- Clarity on the accounting for a PSC as a cash equivalent or financial asset
- Tax clarity
- Ways the administration will incentivize usage
- Other market and infrastructure developments that could enable easier settlement of PSCs

Understanding evolving customer expectations, evaluating relevant business use cases, and identifying the capabilities needed for successful market entry will be critical steps in navigating the emerging competitive environment. This sends a clear call to action to set up dedicated working teams often led by Treasury, payment, and banking leads and supported by all functions.

Regulatory framework for PSCs

The Act is the first federal US legislation to establish a legal and regulatory framework for a class of digital assets. The law affirms that PSCs (as defined under the Act) are chiefly a payments product rather than an investment product. This distinguishes PSCs from securities, commodities, or investment contracts and is consistent with recent work by the Securities and Exchange Commission (SEC) to clarify that stablecoins like those contemplated by the Act (e.g., fully reserved; no payment of interest) are not subject to the SEC's regulatory oversight.⁵

The law establishes clear eligibility requirements for payment stablecoin issuers and is designed to ensure that only well-regulated and qualified institutions can participate in their issuance, management, and redemption.

PSCs and issuers

Under the Act, a PSC is defined as a “digital asset redeemable on demand for a fixed monetary value” (e.g., US dollar or another fiat currency) and designed to be used as a means of payment or settlement. To underscore that PSCs are intended primarily as payment instruments, rather than investment products or substitutes for deposits, PSC issuers are prohibited from providing interest or yield to PSC holders. While issuers can realize returns from reserve asset investments, these earnings may not be distributed to PSC holders as interest or yield (though the Act does not prohibit rewards or consideration to be offered by parties other than the issuer). Additionally, PSCs do not qualify for federal deposit insurance, and PSC issuers are expressly forbidden from suggesting that these assets are federally insured or government guaranteed.

The Act provides several paths for an institution to become a PSC issuer, including (i) a subsidiary of an insured depository institution (IDI); (ii) an uninsured national bank; (iii) a US federal branch of a foreign banking organization (FBO); (iv) a federal-licensed nonbank entity; or (v) a state-licensed issuer (subject to a cap of \$10 billion).

Regulatory oversight

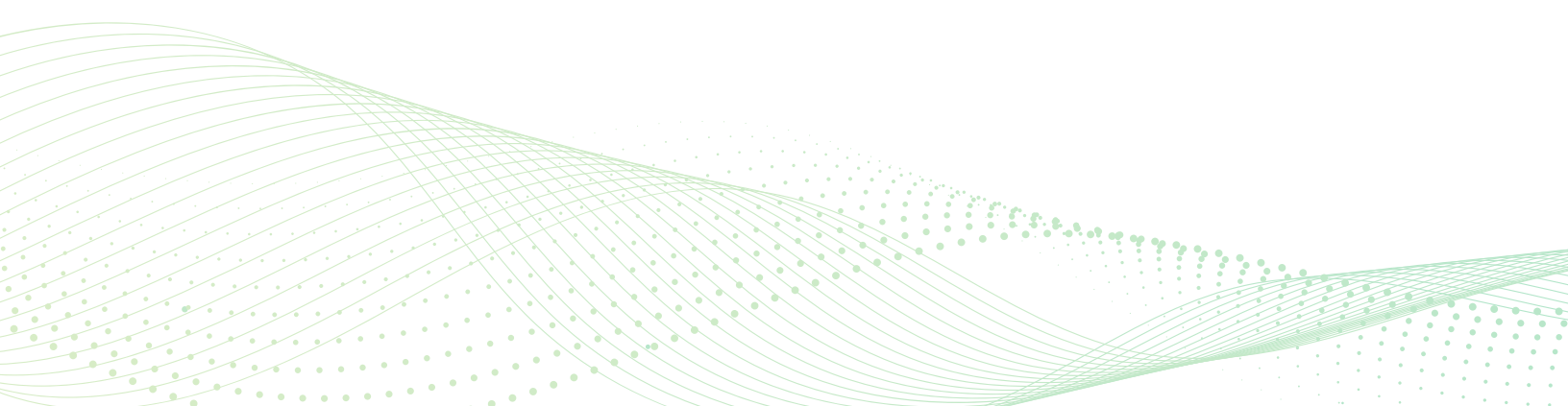
The Act establishes a shared regulatory oversight framework with the primary regulator determined by the PSC issuer's legal entity structure. In the instance that a PSC is issued through a subsidiary of an IDI, the IDI's primary federal banking regulator will serve as the primary regulator of the PSC issuing entity. Meanwhile, for federally qualified PSC issuers (e.g., national bank, FBO federal branch, or federal-licensed nonbank), the Office of the Comptroller of the Currency (OCC) will serve as the primary federal regulator.

A state-chartered pathway is also available for PSC issuers, subject to certain restrictions. To be chartered under a state-level regulatory regime, the state's framework will need to be declared by the Secretary of the Treasury to be “substantially similar” to the federal framework established by the Act. State-chartered PSC issuers with consolidated total issuance exceeding \$10 billion are required to move to the federal regulatory framework, transferring primary oversight to the designated federal payment stablecoin regulator (state-chartered PSC issuers would be permitted to remain regulated at the state level if they are granted a waiver by the applicable federal regulator per Section 4, Subsection (C) (4) Waiver).

Reserves and attestation

PSC issuers are required to maintain identifiable reserves for PSCs on at least a 1:1 basis with reserves being composed of high-quality liquid assets (HQLA) confined to the following:

- US coins and currency
- Funds held as demand deposits at an IDI
- Treasury securities with a remaining maturity of 93 days or less
- Overnight (reverse-) repurchase agreements
- Government money market funds
- Other similar liquid federal-issued assets approved by the primary federal regulator



Reserves may not be pledged, rehypothecated, or reused by the PSC issuer. Additionally, the PSC issuer is required to publish monthly attestation reports detailing the composition of the PSC issuer's reserves and PSCs issued. These month-end reports will be required to be examined by a registered public accounting firm and certified by the PSC issuer's CEO and CFO (subject to criminal penalties).

In the event of insolvency of the PSC issuer, the Act modifies the US Bankruptcy Code to grant PSC holders priority over the PSC issuer or other claimants against the PSC issuer with respect to the PSC reserves.

Payment processors

The Act establishes a regulatory framework that also impacts entities facilitating transactions, such as payment processors, by legitimizing PSCs for use by financial institutions and requiring robust compliance measures. Companies involved in these payments need to implement strong audit controls, anti-money laundering (AML) and know-your-customer (KYC) programs, and technical capabilities to freeze tokens when legally required. The Act distinguishes between issuers, which cannot pay interest, and custodians or processors, which may offer rewards programs.

Existing federal guidance emphasizes that institutions engaging with PSCs will need to maintain rigorous risk management, legal compliance, and cryptographic key management practices. This would include secure and compliant custody solutions to safeguard the digital assets and securely manage the cryptographic keys in compliance with applicable laws and regulations.

As a recent example of this guidance, on July 14, 2025, the OCC, the Federal Reserve, and the Federal Deposit Insurance Corporation (FDIC) jointly issued a [statement](#) clarifying regulatory expectations for banks and financial institutions engaging in crypto asset custody activities, making points relevant to nonbank payment processors and other market participants.

Bank-like regulatory structure

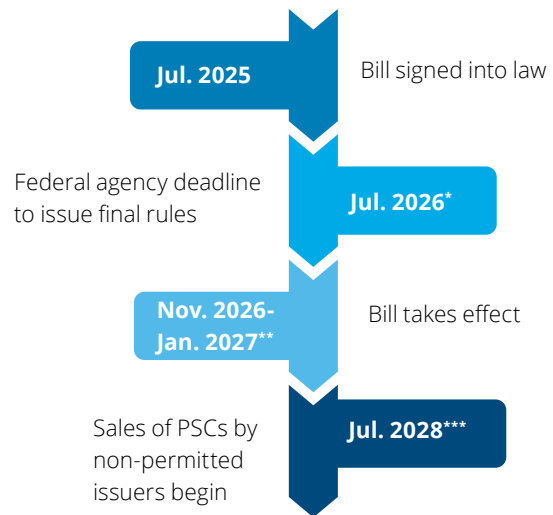
The Act sets out a bank-like regulatory regime modeled on traditional banking standards with federal regulators (and state regulators, for state-only issuers) to issue rules implementing capital, liquidity, and risk management standards for PSC issuers. These are to include capital required for the ongoing operations of the PSC issuer and diversification of reserve assets, tailored to the issuer's business model and risk profile.

PSC issuers will be treated as financial institutions under the Bank Secrecy Act (BSA) and will be subject to federal AML and sanction screening requirements. This will require an effective customer due diligence program and technical capabilities to block, freeze, and reject specific or impermissible transactions.

Effective date

The Act becomes effective on the earlier of 18 months after enactment (i.e., January 2027) or 120 days after final regulations are issued, after which point only permitted PSC issuers may issue PSCs in the United States. Digital asset service providers have a three-year transition period, after which they may only offer or sell PSCs issued by permitted PSC issuer to US customers.

The specific details and application procedures for nonbank entities seeking an OCC charter will be laid out in the regulations to be issued by the federal agencies. It will be crucial to monitor the progress of these regulations and the OCC's specific guidance for nonbank entities. It is expected that applications will be accepted once the final regulations are in place, potentially in early to mid-2026. Market participants should consider preparing key components of their applications as the regulatory process evolves, so they are ready to submit promptly once the regulations are finalized and regulators start accepting applications.



* One year after enactment

** Eighteen months after president's signature or 120 days after final regulations issued

*** Three years after the date of enactment of the Act

The law has passed, what are some of the potential impacts and what do I do next?

Given the Administration's prioritization of PSCs and digital assets, banks will need to adapt quickly as the competitive landscape for PSC market share between banks and nonbanks intensifies. Many fintechs/nonbank Issuers are already aggressively pursuing national trust charters from the OCC, which could grant them direct access to the Federal Reserve payment systems.⁶ This may enable nonbanks to clear US dollar payments, bypassing traditional banking rails as intermediaries for settlement and clearing, further increasing competition and impacting existing bank fee income associated with payment flows, and could further cement their existing hold on the US PSC market.

Many nonbanks, including major retailers, are ramping up their business model and product strategies to enter the PSC ecosystem. Some retailers are planning to roll out their own or co-branded PSCs to streamline payments and offer digital rewards redeemable at checkout, raising the stakes even higher. With greater experience in digital assets, nonbanks are well-positioned to attract the next-generation flow of funds away from traditional banks and into PSC wallets. While the Act prohibits paying interest on PSCs, nonbank issuers are finding creative ways to drive adoption through alternative incentives like staking and loyalty programs.

Corporates are also expected to look to PSCs as a potential alternative to manage their cash flows, improve liquidity, and streamline financial operations, as PSCs offer several compelling benefits. PSCs allow for 24/7, near-instantaneous payments both domestically and cross-border, helping to eliminate settlement delays and costs associated with traditional payment rails. This allows users to hold and transfer value in PSCs, either in self or sub-custodied wallets, reducing their reliance on traditional bank accounts and payment rails.

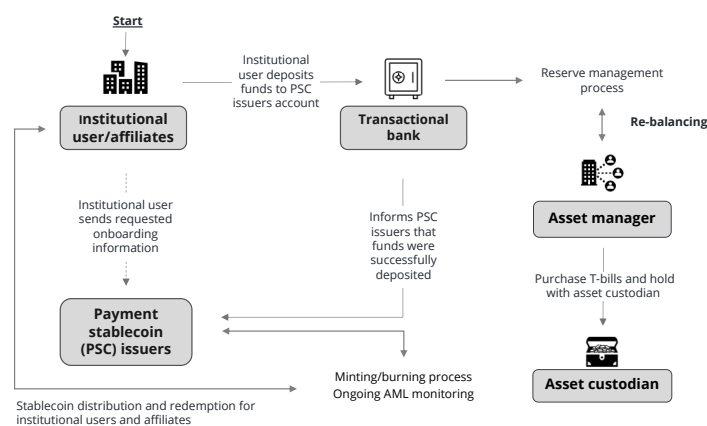
This adoption of PSCs could further diminish traditional bank deposit levels, which could result in funding constraints for the bank and affect their ability to lend and generate interest income. It will be critical for banks to adapt their existing treasury management product and service offerings and understand how PSCs can be used to enable their institutional clients with disbursement services, receivables management, and payment products.

Seizing the PSC advantage: How firms can lead in the evolving payments landscape

A clear priority for firms moving forward is to strategically assess the impact of PSCs on their existing business lines and the potential to mitigate revenue and profitability impacts, as well as maintain control over the customer relationship. Ultimately, banks will need to take a stance on how they plan to engage with PSCs to remain competitive in this rapidly evolving landscape.

At the outset, leadership should agree on their market position and define what its business model looks like aligning it with their strategic objectives, risk appetite, and regulatory obligations. Depending on the role chosen by the bank, institutions may engage by issuing their own or consortium-backed PSCs; team up with third-party platforms to support with the technology infrastructure (e.g., application program interface [API] integration for wallets, smart contracts, etc.) to facilitate PSC payments; offer custodial services or other reserve management services; or develop blockchain-based tokenized deposit solutions—each path needing tailored capabilities and governance to navigate the complexities of the evolving digital asset landscape.⁷

Illustrative flow of funds: High-level stablecoin flow



Once a strategic path is selected, firms should assess and produce a business case with proforma to define potential impacts and needs. This involves a broad evaluation of technology, talent, risk management, compliance, and operational capabilities. Firms should identify and address potential gaps in these areas and conduct a digital asset risk assessment⁸ (leveraging their existing risk frameworks) specific to the characteristics of the underlying products and technologies of their new product offering to understand where incremental enhancements need to occur. Incremental enhancements can include advanced financial crime monitoring systems, blockchain analytic tools, and staff upskilling in blockchain technology and cybersecurity to participate effectively in the PSC ecosystem.

Developing and maintaining comprehensive risk management and compliance capabilities is crucial for addressing the unique risks associated with PSCs. Institutions should develop strategies for operational, cybersecurity, fraud, reputational, reserve, and de-pegging risks, supported by infrastructure and processes for reserve management, transparency, and real-time monitoring. By exploring potential risks through digital asset risk assessments and defining acceptable risk exposure, firms can operationalize ongoing monitoring capabilities for evolving risk conditions.

As firms move to product development, they should decide whether to build the required capabilities in-house or collaborate with third parties to develop effective PSC solutions. Institutions will need to initiate formal new product approval processes, align with internal governance structures, and evaluate whether their new product integrates effectively into existing workflows while offering clear differentiation from competitors. Strategic collaboration with third parties can accelerate development, enhance functionality, and address capability gaps in areas such as blockchain integration, cybersecurity, or regulatory compliance.

After product development, firms should conduct a pilot launch to test the new offering in a controlled environment. Once the pilot is complete, the firm can proceed to a full product go-live, officially launching the PSC product or service to the market. This requires coordinated efforts across the organization and with partners to enable a smooth transition, ongoing performance monitoring, proactive risk management, and adaptability to changing market and regulatory conditions.

Nonbank strategies for success in the PSC market

As the Act brings nonbank issuers into a federally regulated financial ecosystem, they will need to rapidly mature their risk, compliance, and operational capabilities to compete effectively and meet heightened regulatory requirements.

Nonbanks also face different strategic options. They may choose to become issuers themselves—provided they qualify—or determine the most suitable partnership models. Additionally, they will need to evaluate their choices of how best to integrate PSCs into existing platforms where relevant.

Regulators have already issued consent orders and/or fines to nonbanks entering the space, signaling the need for safe and sound risk and compliance frameworks tailored to each organization's size and complexity. As detailed above, PSC issuers are required to maintain 1:1 reserves backed by HQLA, requiring capital and liquidity risk management programs on par with those at banks.

PSC issuers will be subject to strict BSA requirements. Operating on public blockchains also introduces new risks, as transaction data becomes transparent and validation is open to a broad network of participants (i.e., there is limited visibility into counterparties or “knowing your nodes”). To keep pace, nonbanks will need to implement advanced BSA/AML monitoring systems and analytics to strengthen customer due diligence and transaction monitoring.

Nonbanks should also assess their capabilities through a digital asset risk management lens to identify where enhancements are needed, whether in liquidity management, capital management, BSA/AML analytics, operational risk management, fraud monitoring, cybersecurity, or third-party risk management. Attracting talent with experience in “banking” requirements, risk management, capital and liquidity management, digital assets, and compliance can help with building a sustainable operation.

Banks and nonbanks both stand to gain by joining forces. Banks can collaborate with retailers and nonbanks to offer wallet capabilities to their clients, while nonbanks can leverage banks' established risk management expertise and deep banking relationships. In turn, banks benefit from nonbanks' advanced technology infrastructure—such as wallet interfaces and APIs for sending, receiving, or safeguarding PSCs—enabling both sides to enhance their payment offerings for corporate and retail customers alike.

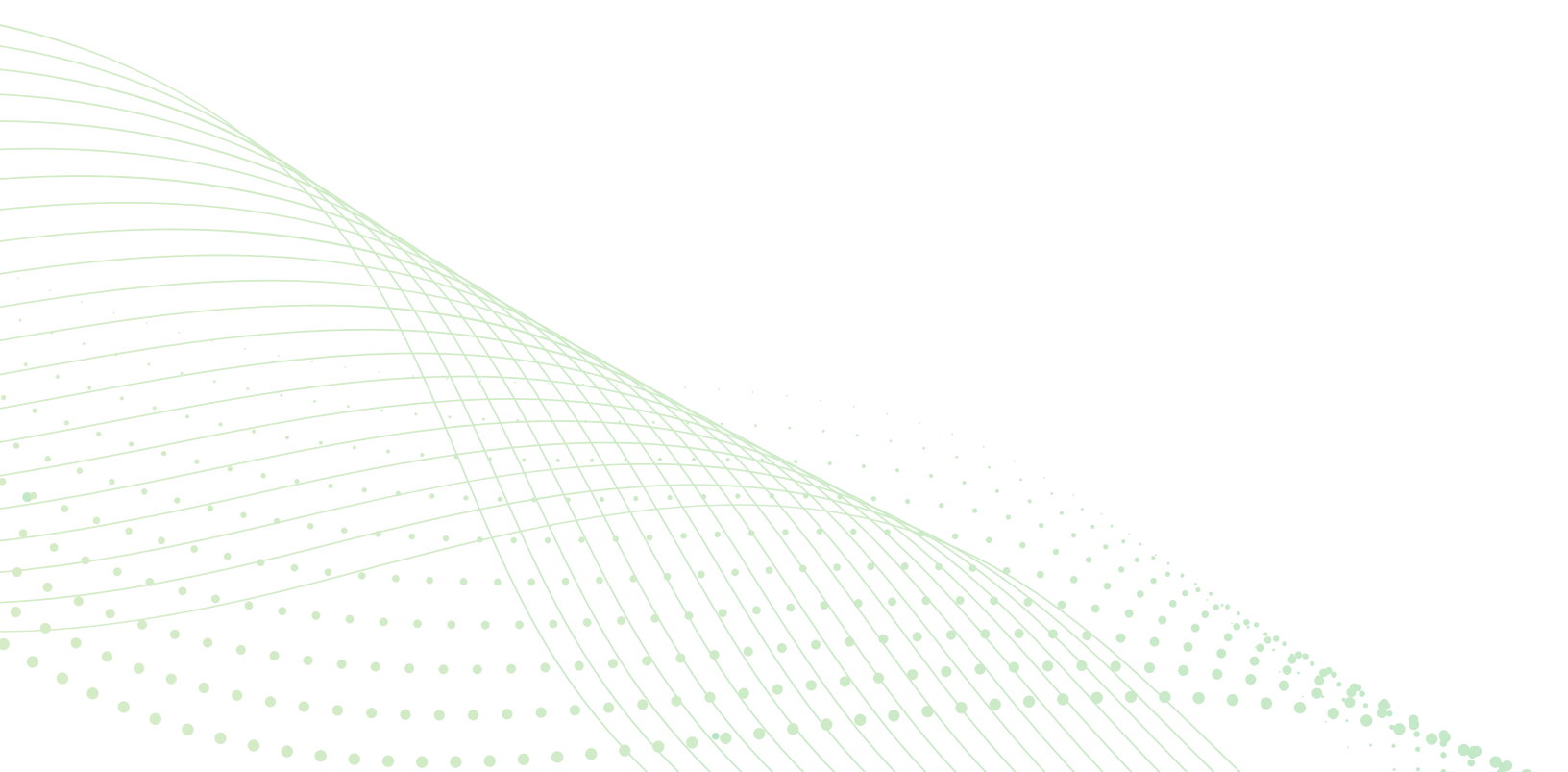


Chart your own path forward

The financial services industry has been closely tracking the Act's requirements and possibilities. While the Act does not address all aspects of digital finance (for example, key areas such as industry-level standards for interoperability, wallet security, and comprehensive data management remain unaddressed), this groundbreaking legislation is expected to unlock exciting new opportunities for businesses eager to shape the future of digital finance in a more "certain" and nationally standardized regulatory environment. [Significant risks](#) will be introduced, some not fully captured by the Act, including vulnerabilities in smart contract code, the potential for security breaches or attacks on decentralized networks, and the evolving nature of cyber threats targeting blockchain infrastructure.

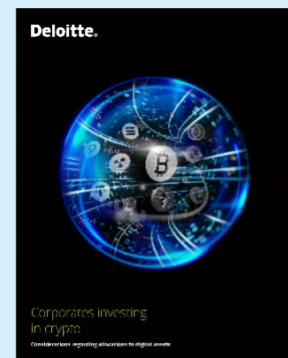
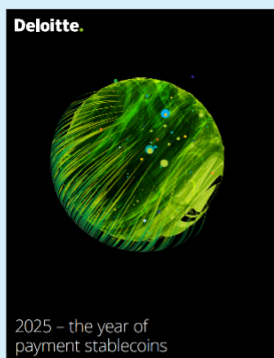
To capitalize on these opportunities, firms will need to develop and strengthen a range of capabilities, including technological integration, strong compliance frameworks, agile product development, and expertise in digital asset management. Additionally, strong relationships with technology providers and regulatory bodies will be essential for efficient implementation and ongoing adaptability in a rapidly evolving landscape.

Firms should also recognize that, while PSCs function much like traditional currency, their treatment as property for tax purposes introduces unique complexities. In addition, there are accounting and financial reporting complexities since the recent Financial Accounting Standards Board (FASB) guidance on crypto assets in ASU 2023-08 generally excludes most PSCs from its scope. Accounting and reporting considerations may also differ for issuers, holders, and facilitators or processors, depending on their specific involvement with PSCs.

By understanding the unique complexities and risks associated with PSCs, companies can play a pivotal role in this paradigm shift by delivering ecosystem services, including innovative technology solutions, compliance support, and strategic advisory offerings.

President Donald Trump's signing of the Act into law ushers in a new era for the industry. Firms that engage proactively in response will likely be better positioned to drive innovation, capture greater market share, and emerge as leaders in the payments landscape of tomorrow. This is only the beginning.

Find more insights on stablecoins and digital assets:



Endnotes

1. US Congress, "[S.1582 - GENIUS Act](#)," accessed July 18, 2025.
2. United States House Committee on Ways and Means, "[Full Committee Hearing with Treasury Secretary Scott Bessent](#)," June 11, 2025.
3. The White House, "[Strengthening American leadership in digital financial technology](#)," January 23, 2025.
4. Tokenized deposits are a digital representation of actual bank deposits held on the bank's balance sheet (potentially making funds available for lending or investing), backed by 1:1 fiat currency (e.g., US Dollar) thereby not at risk of "breaking the buck."
5. Securities and Exchange Commission (SEC), "[Statement on Stablecoins](#)," April 4, 2025.
6. Office of the Comptroller of the Currency (OCC), "[Exploring special purpose national bank charters for fintech companies](#)," December 2016.
7. Please refer to Deloitte's publications "[Digital asset risk management diagnostic](#)," for insights on identifying digital asset and blockchain risks and "[2025 – The year of payment stablecoins](#)," for insights on the evolving digital asset landscape.
8. One of Deloitte's industry-leading tools is a digital asset risk assessment designed to help organizations identify digital asset-specific risks that need to be mitigated to engage in the marketplace in a manner consistent with regulatory expectations and overall risk assessment objectives. Learn more about the tool [here](#).

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