



On December 16, 2025, the Board of Directors of the FDIC issued a notice of proposed rulemaking to establish a regulatory framework for the application of permitted payment stablecoin issuers (PPSIs) through subsidiaries of FDIC-supervised insured depository institutions (IDIs).¹ The proposal is the first regulatory action by a federal banking agency to implement part of the GENIUS Act,² which was enacted in July 2025 and established the first federal regulatory framework for payment stablecoins. Rulemaking regarding prudential standards for PPSIs, including capital and liquidity requirements, are expected in 2026.

5 insights you should know

Application filing: Under the proposal, PPSI applicants would be required to submit (1) a description of the proposed payment stablecoin and the proposed activities of the issuer subsidiary; (2) financial information; (3) a description of the issuer subsidiary ownership and control structure; (4) policies and procedures and customer agreements; and (5) an engagement letter with a registered public accounting firm.

Timeline of application decisioning: Under the proposal, the FDIC must notify an applicant within 30 days whether an application is substantially complete or specify what additional information is needed. If the FDIC does not respond within 30 days, the application would be deemed substantially complete as of the original receipt date. The proposed rule would provide that the FDIC would then have 120 days from that point to approve or deny the application. If the FDIC does not render a decision on a substantially complete application within 120 days, the application would be deemed approved, in accordance with the GENIUS Act.

GENIUS Act application factors: The GENIUS Act allows the FDIC to deny an application only if it determines the applicant's activities would be unsafe or unsound based on five statutory factors: (1) financial condition and resources; (2) criminal history of officers and directors; (3) competence, experience, and integrity of key personnel; (4) compliance of redemption policy; and (5) any other factors set by the primary federal regulator. Under the proposal, the FDIC would not establish any additional factor beyond the statute.

Safe harbor for pending applications: If an IDI has an application pending for the subsidiary to become a PPSI before the effective date of the GENIUS Act, the applicant may request a waiver from all or some of the requirements under the Act. The FDIC would require a written request explaining the basis for the waiver, the extent of the requirements to be waived, and the time period sought. Such waiver may not exceed one year.

Appeals and final determination: Under the proposed rule, a denial of a PPSI application would be treated like a material supervisory determination, requiring the applicant to follow similar appeal procedures. The GENIUS Act requires a hearing to be noticed within 30 days of a timely request. If no timely hearing request is made, the FDIC would provide written notice of its final determination within 10 days after the deadline to request a hearing.

5 considerations to evaluate

1 Diligently assemble application: IDIs should provide for strong documentation and proactive project planning when preparing a PPSI application. Close attention should be given to describing the stablecoin product (including stabilization controls), the issuer's activities, ownership structure, compliance policies, and audit readiness by securing relationships with a registered auditor. Early engagement with internal and external advisors (e.g., legal, compliance, and accounting) will be crucial to preparing a comprehensive application, including needed documents and analysis, to avoid submission delays and head off requests for additional information, which prolong agency action.

2 Monitor deadlines and prepare to be responsive: Applicants should closely monitor all application-related deadlines and be prepared to promptly respond to potential FDIC requests for additional information. Since an application can be automatically deemed complete or approved if the FDIC does not respond on schedule, market participants should track communications closely, document all interactions, and promptly provide any supplemental materials. This can help safeguard institutions from potential administrative lapses and allow firms to capitalize on statutory timeline protections.

3 Conduct internal assessment of statutory factors: Before submitting an application, institutions should conduct internal assessments against the five statutory factors. Applicants will need to demonstrate an understanding of the technology and associated risks when writing preparing policies, including (i) custody and safekeeping policies; (ii) segregation of customer assets and reserve assets; (iii) recordkeeping, reconciliation, and transaction-processing procedures (on- and off-chain); (iv) redemption policy consistent with Section 4(a)(1)(B); and (v) anti-money laundering/countering the financing of terrorism (AML/CFT) and sanctions compliance.

4 Consider appropriateness of a waiver: Institutions with pending applications as the GENIUS Act goes into effect should consider identifying any Act requirements that could pose compliance challenges. Firms should prepare well-supported waiver requests, justifying both the scope and duration of relief sought, and be ready to implement changes once the temporary waiver expires.

5 Develop implementation playbook: Institutions should be proactive in developing their implementation playbook around both operational and risk management leading practices. This includes establishing mature governance and compliance frameworks and robust data security measures. It's important to develop and rigorously test smart contract infrastructure for stablecoin issuance and redemption, emphasizing transparency, auditability, and resilience against cyber threats. Throughout all phases, maintain an agile posture to promptly adapt to evolving, and yet to be issued, regulatory guidance and market developments.

Endnotes

1. Federal Deposit Insurance Corporation (FDIC), "[FDIC Approves Proposal to Establish GENIUS Act Application Procedures for FDIC-Supervised Institutions Seeking to Issue Payment Stablecoins](#)," December 16, 2025. The FDIC is the appropriate federal banking agency of each IDI that is a state-chartered insured bank that is not a member of the Federal Reserve System (state non-member bank) and each state-chartered savings association (state savings association) (collectively, FDIC-supervised institutions).
2. US Congress, "[S.1582 - GENIUS Act](#)," 119th Cong., 2025.

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