

New York Releases Stablecoin Guidance

Article By:

Moorari Shah

A.J. S. Dhaliwal

Gabriel Khoury

On June 8, the New York State Department of Financial Services (DFS) [released](#) its [Guidance on the Issuance of U.S. Dollar-Backed Stablecoins](#) meant to set foundational criteria for USD-backed stablecoins issued by DFS-regulated entities on the issues of redeemability, assets reserves and attestations about such reserves. Here are some of the highlights from the guidance.

- **Backing and Redeemability.** The stablecoin issuer must adopt clear policies that are approved by the DFS and confer the right to redeem units of the stablecoin in a timely fashion. The stablecoin must be backed by a reserve of assets, meaning the value of the reserve is at least equal to the nominal value of all outstanding units of the stablecoin as of the end of each business day.
- **Asset Reserves.** The assets that back the stablecoin must be segregated from the proprietary assets of the issuing entity, and must be held in custody by a FDIC-insured institution or a custodian approved by the DFS.
- The Asset Reserves are subject to an examination by a licensed CPA.

DFS notes that the risks connected to these factors are not the only risks DFS considers. DFS looks at a range of potential risks before authorizing a regulated virtual currency entity to issue a stablecoin, including risks relating to cybersecurity and information technology; BSA/AML and sanctions compliance; consumer protection; safety and soundness of the issuing entity; and the stability/integrity of the payment system.

Putting It Into Practice: This stablecoin guidance should be viewed in light of the recent regulatory activity regarding stablecoins. Recently, Treasury Secretary Janet Yellen presented the Financial Stability Oversight Council [Annual Report](#) before the Senate Banking Committee about the need for sensible stablecoin legislation (we have previously discussed this report [here](#)). Additionally, the President's Working Group on Financial Markets recently published a report and held a hearing

calling for sensible stablecoin legislation (we have previously discussed the President's Working Group (PWG) report and congressional hearing on stablecoins [here](#) and [here](#)).

This guidance makes clear that a DFS-regulated issuer of a stablecoin is responsible for understanding and complying with all applicable laws and regulations, and other state or federal regulatory agencies.

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