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# Senate Advances Stablecoin Bill

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On May 20, the U.S. Senate voted 66-32 to move forward with the Guardrails and Enforcement for Neutral Issuers of United States Stablecoins (GENIUS) Act (the “Act”), pushing the stablecoin bill past a major procedural hurdle. The vote sets the stage for full Senate debate and potential passage of the Act as early as next week.

The GENIUS Act aims to establish a regulatory framework to expedite the integration of stablecoins into the broader banking system by setting up requirements for issuance, backing, and supervision of payment stablecoins. The Act also delineates the authority of state and federal regulators and restricts certain firms from engaging in stablecoin issuance.

Several key provisions from the Act include the following:

- Federal and state regulatory roles. Stablecoin issuers may be licensed by state regulators or directly by a federal payment stablecoin regulator, with standards coordinated under the Act. Issuers with over $10 billion in market capitalization fall under federal oversight, while issuers with $10 billion or less in market capitalization would have the option of state regulation by the relevant state banking agency (provided the state regulation satisfies certain federal standards).
- Definition of payment stablecoins. The Act defines “payment stablecoin” as a digital asset that maintains a fixed value through backing by fiat currency or other secure reserves. While the Act does not explicitly prohibit interest-bearing stablecoins, recent SEC guidance (previously discussed here) indicates that stablecoins offering yield may be treated as securities—making it likely that, to circumvent regulatory complexity, payment stablecoins will primarily be used as a medium of exchange in practice.
- Reserve asset requirements. Issuers must maintain one-to-one reserves in high-quality liquid assets, such as U.S. dollars, Treasury bills, or central bank reserves. Issuers must also avoiding rehypothecation (*i.e.*, the use of reserves for purposes other than backing the stablecoin) and complete monthly certifications attesting to the sufficiency of reserves, among

other reserve requirements.

- Supervisory authority and enforcement. The Act gives federal banking agencies enforcement authority over permitted payment stablecoin issuers that is analogous to the authority in section 8 of the Federal Deposit Insurance Act over insured depository institutions and their holding companies. The Act authorizes the Federal Reserve, OCC, and FDIC to take enforcement action against payment stablecoin issuers, including – in certain circumstances – those issuers that are subject to regulation by a state banking agency.

**Putting It Into Practice:** The GENIUS Act would, if enacted, establish the first comprehensive federal framework for governing payment stablecoins. While competing stablecoin proposals such as the STABLE Act (previously discussed here) remain pending, the Senate’s passage of the GENIUS Act represents a significant step toward its codification. Stablecoin issuers and fintech companies should evaluate licensing pathways and reserve management models in anticipation the GENIUS Act’s enactment.

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