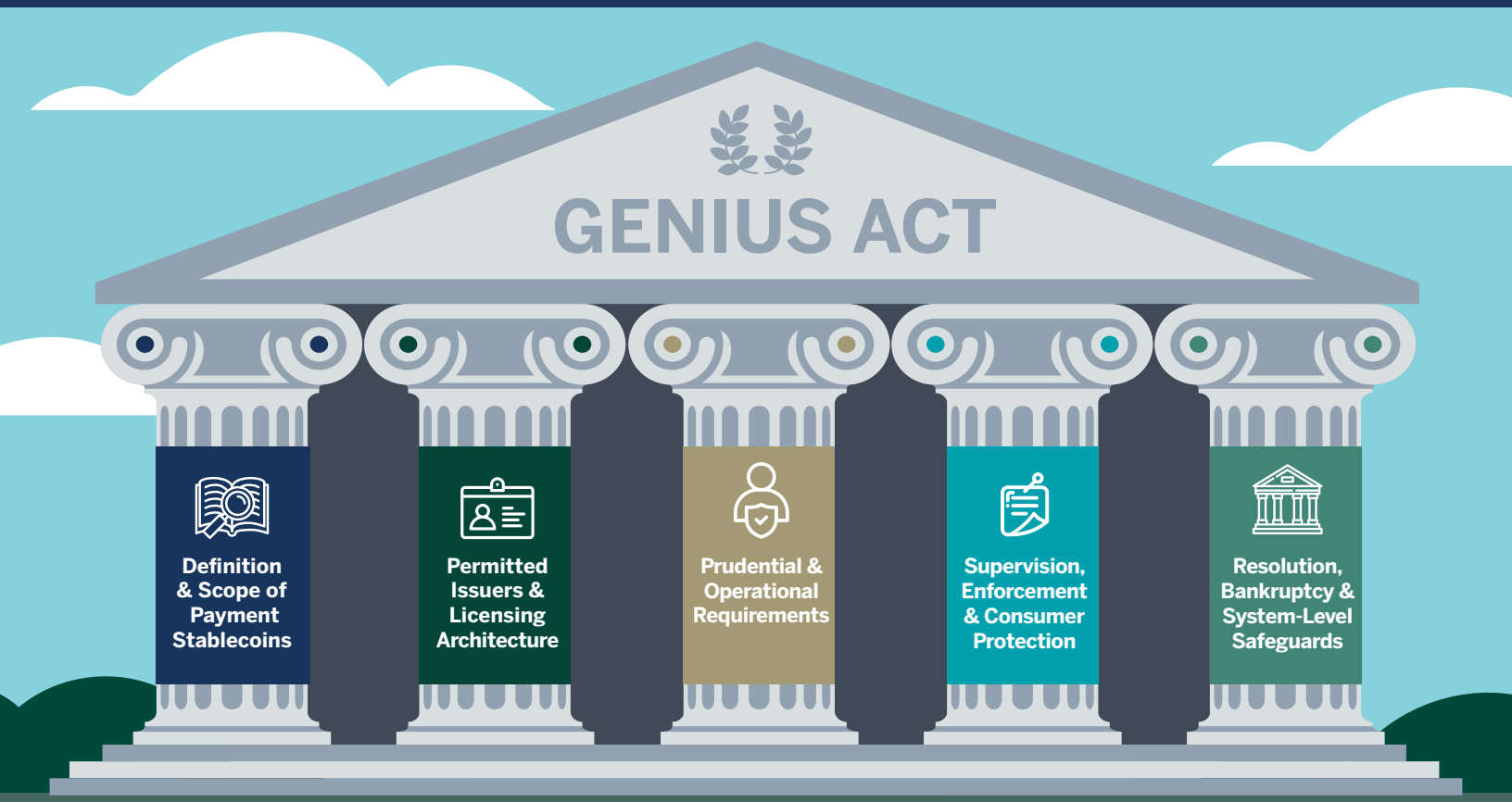
MARCH 2026

DIGITAL ASSET: STABLECOINS

GENIUS ACT:

A COMPREHENSIVE FRAMEWORK TO INSTITUTIONALIZE PAYMENT STABLECOINS

This infographic visually maps the GENIUS Act into a structured, pillar-based framework to explain how the United States proposes to institutionalize payment stablecoins within the existing financial system while preserving innovation, consumer protection, and financial stability.



Each pillar of the framework corresponds to a distinct regulatory section(s) of the Genius Act. The framework is organized into five interlocking pillars that move sequentially from definition to system-level safeguards. Together, they clarify what qualifies as a payment stablecoin, who is permitted to issue, how issuers must operate, how they are supervised, and how risks are contained if an issuer fails or grows systemically important.

Collectively, the pillars show that the GENIUS Act does not treat stablecoins as an entirely new asset class, nor does it simply apply legacy banking rules wholesale. Instead, it establishes a bespoke regulatory architecture one that anchors stablecoins firmly within the U.S. payments system, aligns them with prudential safeguards, and scales regulatory intensity with size, risk, and systemic relevance.

PILLAR 1

DEFINITION & SCOPE OF PAYMENT STABLECOINS

The Act establishes a clear legal perimeter for what qualifies as a payment stablecoin, separating regulated payment instruments from unregulated digital assets.

WHAT IS A PAYMENT STABLECOIN?

A payment stablecoin is a digital token meant for everyday payments that promises to be redeemable for a fixed amount of money, usually one U.S. dollar.

Example: A U.S. dollar stablecoin like USDC, where 1 token is redeemable for $1.

WHAT MAKES SOMETHING A PAYMENT STABLECOIN?

To qualify, the asset must be designed for payments, must be redeemable by the issuer for a fixed value, and must be marketed as stable in value.

WHAT IS NOT A PAYMENT STABLECOIN?

The Act clearly excludes central bank money, regular bank deposits (even if tokenized), and securities that are already regulated under existing financial laws.

HOW TO CITE: Kokkirala, S., and Gandhi, C. (2026). GENIUS Act: A Comprehensive Framework To Institutionalize Payment Stablecoins (H. Pun, R. Mostafa, & Z. Agoston, Eds). Lawrence National Centre Infographic Series 26302: Ivey Business School, Canada.
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STABLECOIN ISSUER LICENSING AND OPERATIONAL SAFEGUARDS

PILLAR 2

PERMITTED ISSUERS & LICENSING ARCHITECTURE

The Act defines who is allowed to issue stablecoins through a dual federal–state framework, with licensing, approval, and platform-level gatekeeping. Only approved entities can issue payment stablecoins in the U.S. There are three paths, depending on who you are and who regulates you.

BANK-OWNED SUBSIDIARIES

Banks or Credit Unions can't issue stablecoins directly, they must use a separate subsidiary.

Regulators: OCC[1] for National Banks, FDIC[2] & Fed for State-chartered banks, NCUA[3] for Credit Unions.

FEDERAL LICENSED ISSUERS

Fintechs (federally chartered), non-bank companies, Trust banks and US branches of foreign banks are eligible.

OCC is the single federal regulator.

STATE LICENSED ISSUERS

Companies licensed under state law.

Large issuer (> $10B outstanding) face federal oversight.

States supervise routine operations, while federal regulators retain authority to intervene if systemic risks emerge.

FOREIGN ISSUERS

Foreign issuers are permitted only if their home country has rules comparable to U.S. standards and they hold U.S. customer reserves in U.S. financial institutions.

CORPORATE LIMITS

Large non-financial public firms are prohibited from issuing stablecoins unless approved by Review Committee, and individuals convicted of serious financial crimes are barred from operating as issuers.

CRYPTO PLATFORMS

Crypto platforms can distribute stablecoins, but only if those come from approved issuers.

PILLAR 3

PRUDENTIAL & OPERATIONAL REQUIREMENTS

The Act imposes requirements for full reserve backing, legally enforceable redemption rights, and enhanced oversight of custody arrangements, risk management and governance. The Act protects users by requiring reserves to be segregated from the issuer's corporate assets, mandating regular disclosures and verification of reserve holdings, and establishing clearer regulatory oversight and accountability if problems arise.

1:1 BACKING

Every stablecoin must be backed one-for-one by safe, liquid assets like cash or short-term U.S. Treasuries, and issuers are not allowed to invest, lend, or earn yield on those reserves.

REDEMPTION RIGHTS

Stablecoin holders are able to redeem their tokens for U.S. dollars quickly and at face value, with all fees clearly disclosed and advance notice required before any fee changes.

RISK CONTROLS

Beyond maintaining full reserves, issuers must implement risk-management safeguards, including capital orloss-absorption requirements, contingency planning for large-scale redemptions, and standards for cybersecurity and operational resilience.

CUSTODY

The Act requires stablecoin reserves to be segregated from the issuer's own funds, held with regulated custodians, and structured to give customers priority claims on the assets while restricting the issuer's ability to use or lend them, thereby protecting holders if the issuer fails.

[1] Office of the Comptroller of the Currency [2] Federal Deposit Insurance Corporation [3] National Credit Union Administration

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OVERSIGHT, CONSUMER PROTECTION, AND SYSTEM-LEVEL STABILITY

PILLAR 4

SUPERVISION, ENFORCEMENT & CONSUMER PROTECTION

The Act defines who is allowed to issue The Act brings stablecoins fully inside the U.S. financial system by subjecting issuers to continuous financial supervision, anti-money laundering rules and sanctions compliance, and strict consumer-protection and marketing rules.

SUPERVISORY & ENFORCEMENT

Issuers are supervised like banks, with regular examinations. Regulators have the authority to issue Cease-and-Desist orders, remove executives, and revoke Permitted Payment Stablecoin Issuer status for violations and issue penalties up to $1,000,000 per day.

FINANCIAL INTEGRITY & NATIONAL SECURITY

Issuers must comply with anti-money-laundering and sanctions regulations, including monitoring transactions, identifying users, and, when legally required, freezing or blocking tokens linked to criminal or sanctioned activity.

CONSUMER PROTECTION

The Act prohibits misleading or deceptive marketing, bans claims of government backing, prevents forced bundling of services, and imposes criminal and civil penalties for unauthorized issuance or false disclosures.

PILLAR 5

RESOLUTION, BANKRUPTCY & SYSTEM-LEVEL SAFEGUARDS

The Act establishes bankruptcy-remote protections that give stablecoin holders priority claims on reserves, while empowering regulators to intervene for systemically important issuers. Together with interoperability and technical standards, these safeguards aims to ensure stability, continuity of payments, and resilience at economy-wide scale.

BANKRUPTCY TREATMENT & "BANKRUPTCY REMOTENESS"

If a stablecoin issuer fails, the reserves are generally kept out of bankruptcy claims; reserves are not treated as company assets.

When reserves are available, funds are distributed quickly to satisfy holders' claims first, before creditors or other parties (lawyers/government), ensuring that users are prioritized.

SYSTEMIC RISK & FEDERAL RESERVE OVERSIGHT

When a stablecoin becomes large enough to affect the broader economy, regulators increase oversight and require stronger safeguards to limit system-wide risks. At around $10B in circulation, oversight shifts to the federal level.

INTEROPERABILITY & TECHNICAL STANDARDS

The Act encourages shared technical standards to ensure stablecoins can operate safely across different systems, enabling interoperability and allowing users to switch providers easily.

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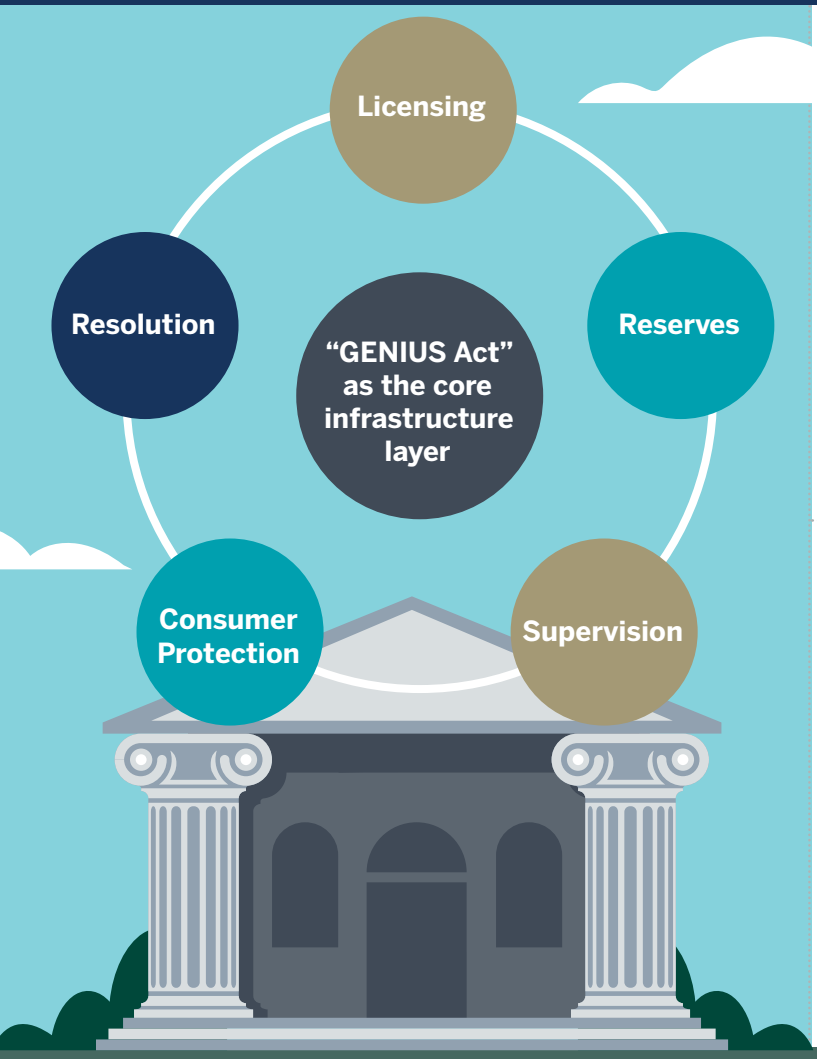
GENIUS ACT: REBUILDING THE STABLECOIN ECOSYSTEM

Taken as a whole, the GENIUS Act establishes a defined regulatory architecture for stablecoins. It shifts stablecoins from a fragmented system dependent of issuer goodwill toward regulated financial infrastructure. Prior to the Act, stablecoins mushroomed rapidly without consistent issuer accountability, coordinated supervision, or clearly established consumer protections. This limited institutional participation, left user protections unclear, and highlighted the need for stronger safeguards as stablecoins grew in scale and systemic importance.



BEFORE THE GENIUS ACT:

- No unified federal authorization regime for payment stablecoin issuers.
- Reserve asset standards were not uniformly prescribed in statute.
- Ongoing federal supervisory requirements were not clearly defined.
- Stablecoin holder rights in insolvency were not explicitly established.
- No dedicated federal resolution framework for payment stablecoin issuers.

AFTER THE GENIUS ACT:

- Established federal and approved state authorization pathways for issuers.
- Mandated 1:1 backing with defined, segregated reserve assets.
- Ongoing prudential supervision, reporting, and compliance requirements formalized.
- Statutory protection of holder claims on segregated reserve assets.
- Defined resolution and orderly wind-down mechanisms for licensed issuers.

FAQs

Can large non-bank companies (e.g., Walmart or Amazon) issue a stablecoin?

Yes, but only if they operate through a licensed payment stablecoin issuer and comply with strict federal or state regulatory requirements. Regulators are especially cautious about firms with significant market power.

Can non-financial firms issue stablecoins purely for payments or loyalty ecosystems?

Potentially, but the stablecoin must be used strictly for payments and be fully backed by high-quality reserves. Issuers cannot use stablecoins to fund lending, take investment risk, or create closed systems that lock users into proprietary ecosystems.

Are stablecoins classified as securities or as payment instruments?

Under the GENIUS Act, compliant payment stablecoins are treated as payment instruments, not securities. This classification hinges on full reserve backing, stable redemption at par, and the absence of yield or profit expectations.

Does issuing a stablecoin expose a retailer to bank-like regulation or capital requirements?

Yes, issuing a stablecoin brings bank-like obligations, including reserve requirements, audits, disclosures, and ongoing supervisory oversight. While issuers are not banks, the regulatory burden is intentionally close to banking standards to protect users and the payment system.

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