



GENIUS Act OCC Proposed Rulemaking is out

A Compliance and Strategy Guide for
Payment Stablecoin Issuers

Post the GENIUS Act publication in July 2025, the Office of Currency & Comptroller (“OCC”) released Notice of Proposed Rulemaking (“NPRM”) implementing the Act for bank-linked issuers on February 25, 2026. With a comment period closing approximately late April 2026 and an effective date as early as January 2027, institutions have limited time to assess their strategic position and build compliant operations. This brief summarizes the key requirements, their operational implications, and the strategic choices institutions must now make.

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Key Highlights

- The OCC’s NPRM begins the operationalization of the GENIUS Act for bank-linked payment stablecoins, treating issuance as a liquidity-intensive, continuously supervised activity with bank-grade governance.
- Participants can expect daily compliance measurements, monthly public reserve reporting with third-party review, and CEO/CFO certifications – shifting stablecoin operations closer to a bank’s treasury function.
- Liquidity, redemption timeliness (≤ 2 business days), and custody along with segregation requirements are key topics addressed by OCC; AML/sanctions specifics will follow in conjunction with Treasury/FinCEN. However, existing BSA/AML obligations apply to all permitted payment stablecoin issuers.
- The GENIUS Act's effective date is the earlier of January 18, 2027, or 120 days after primary federal regulators publish final implementing rules. With this NPRM just released and a 60-day comment period underway, institutions have approximately 6–9 months to build compliant operations before the framework takes effect.
- Timing mismatches with other federal rulemakings (e.g., CLARITY Act implementation) mean banks must prepare for OCC-compliant operations while tracking cross-agency harmonization.
- Strategically, firms face a choice set: become a federal qualified issuer, white-label issuance, focus on custody/rails, or avoid issuance while supporting tokenization and payments. Non-bank entities have a longer road ahead to meet requirements.

Who Is Affected and Practical Implications

- **Subsidiaries of insured national banks and federal savings associations (issuers):** Subject to OCC approval and ongoing exams; must adopt bank-level governance, liquidity, and reporting.
- **Bank-owned stablecoin subsidiaries (OCC as primary regulator):** Expect consolidated supervisory expectations and inter-affiliate exposure controls.
- **Uninsured national banks and federal branches (approved by OCC):** Supervision will be akin to banks; capital/operational backstop applies.
- **Uninsured trust banks issuing stablecoins:** OCC approval required; custody segregation and customer-property treatment are critical.
- **Non-bank entities seeking federal qualified issuer status (fintechs, consortia, white-label issuers):** Face 120-day application clock from completeness; must meet reserve, redemption, custody, and reporting standards.
- **State qualified issuers and state-chartered firms:** Remain under state supervision unless they cross thresholds (e.g., \$10B) triggering notice and potential transition to federal oversight.
- **Foreign issuers seeking U.S. access:** May register with OCC; U.S. reserves for U.S. customers unless Treasury grants reciprocity.

NPRM Summary and Impact Assessment RESERVES

What the NPRM Proposes: 1:1 backing at fair value; permitted reserve assets limited to cash/Fed balances, demand deposits, short-dated Treasuries (≤ 93 days), very short repos under strict terms, government MMFs investing only in allowed assets, OCC-approved similar federal assets, and tokenized versions thereof. No rehypothecation except limited exceptions.

Institutional Impact: Yield compression versus broader cash alternatives; need for intraday liquidity views and automated collateral monetization;

segregation and traceability of reserves at all times.

Potential Actions: Stand up a real-time reserve sub-ledger; define eligible asset universe; set concentration limits; design monthly public report and third-party accounting review.

Open Questions and Comment Points: Calibration of diversification limits; treatment of tokenized eligible assets; clarity on any look-through to MMF holdings.

LIQUIDITY AND DIVERSIFICATION

What the NPRM Proposes: Two approaches under consideration: (A) principles-based with optional quantitative safe harbor¹; or (B) mandatory quantitative rules (e.g., immediate and near-term liquidity thresholds, issuer concentration caps)

Institutional Impact: Need for daily compliance measurement, stress testing, and committed monetization channels (repo, FICC, tri-party).

Potential Actions: Pre-arrange counterparties and lines; implement daily liquidity dashboard; rehearse stress event response for redemptions $>10\%$ in 24 hours.

Open Questions and Comment Points: Specific safe-harbor calibration; insured-deposit floors for large issuers; concentration cap levels and look-through rules.

REDEMPTION AND DISCLOSURES

What the NPRM Proposes: Timely redemption defined as ≤ 2 business days; stress event allows up to 7 calendar days subject to OCC oversight; public disclosures of issuer identity, redemption obligation, reserve link, and fees (7-day fee-change notice).

Institutional Impact: Operational need for fast fiat rails beyond ACH; customer communications triggers; conduct/UDAP considerations during stress.

Potential Actions: Map redemption channels (FedNow, RTP, wires); build communications runbooks; implement real-time redemption monitoring and alerts.

Open Questions and Comment Points: Standardized disclosure templates; clarity on use of third-party payment processors for redemption execution

CUSTODY AND COVERED ASSETS

What the NPRM Proposes: Custodians must be regulated/supervised; customer-property treatment; segregation; control/possession; vetted sub-custodians; omnibus accounts allowed only with protective controls.

Institutional Impact: Re-papering of custody

¹ Example of safe-harbor metrics: at least 10% of reserves as immediate liquidity (Fed/demand deposits), at least 30% as near-term (cash + amounts

receivable within 5 business days), max 40% at any one eligible institution, weighted-average maturity ≤ 20 days. Large issuers: small insured-deposit floor (e.g., 0.5% capped).

agreements; legal opinions on property rights; sub-custodian due diligence uplift; key management modernization.

Potential Actions: Perform contract gap-assessment; implement separate accounting and attestable controls; validate private-key governance and access controls.

Evaluate purpose-built digital asset custody platforms, including private key governance, multi-party approval workflows, and customer-property segregation.

Open Questions and Comment Points: Interaction with CLARITY Act qualified-custodian standards; recognition of tokenized eligible assets custody models.

RISK MANAGEMENT AND IT/SECURITY

What the NPRM Proposes: Principles-based risk program: board oversight, internal audit/alternative, IT & security program, private-key management, smart-contract validation, incident response, vendor oversight, affiliate transaction controls, interest-rate risk monitoring; AML/sanctions per FinCEN/Treasury forthcoming.

Institutional Impact: Need crypto-specific audit and model risk skills; integration of chain analytics with transaction monitoring; enhanced vendor/affiliate governance.

Potential Actions: Audit readiness for smart contract changes; key-rotation and break-glass procedures; uplift model documentation for analytics and screening.

Open Questions and Comment Points: Scope of model risk governance for chain analytics; validation expectations for smart-contract audits.

REPORTING, AUDITS AND EXAMS

What the NPRM Proposes: Monthly public reserve composition with third-party review and quarterly filings to the OCC; be prepared to support more frequent supervisory data requests (potentially weekly) during examinations or via supervisory reporting; monthly public reserve composition with third-party audit examination and CEO/CFO certification; quarterly financials; annual PCAOB audits for issuers >\$50B outstanding; exam cadence generally annual.

Institutional Impact: Continuous regulatory reporting function; accelerated monthly close; auditor capacity planning and cost management.

Potential Actions: Build data pipelines for weekly/monthly/quarterly cycles; select auditing firm

and align on monthly cadence; implement certification.

Open Questions and Comment Points: Standard for third-party accounting monthly assurance; confidentiality scope for granular data in public reports.

LICENSING AND FOREIGN REGISTRATION

What the NPRM Proposes: OCC approval for insured-bank subsidiaries and federal qualified status seekers (120-day clock from complete application); foreign issuer registration (30-day deemed approval unless rejected); state issuers crossing \$10B notify in 5 days and transition within ~360 days unless waived.

Institutional Impact: Need for licensing strategy; cross-border reserve location planning; migration planning for state issuers that grow.

Potential Actions: Prepare application dossier; decide federal vs. state pathway; assess foreign reciprocity implications for U.S. customers.

Open Questions and Comment Points: Criteria for waivers and transition timing relief; standards for foreign comparability determinations.

CAPITAL AND OPERATIONAL BACKSTOP

What the NPRM Proposes: De-novo capital floor² (e.g., ~\$5M), issuer-specific ongoing capital, plus separate operational backstop equal to ~12 months of operating expenses held in highly liquid assets.

Institutional Impact: Capital planning implications; need to maintain an operating-expense liquidity buffer; quarterly recalculation and reporting.

Potential Actions: Define expense base; ring-fence backstop assets; integrate into ICAAP/CCAR-adjacent processes where applicable.

Open Questions and Comment Points: Calibration of minimums by size/complexity; recognition of unused committed lines against backstop.

ENFORCEMENT AND STATE COORDINATION

What the NPRM Proposes: OCC exclusive supervision of federal qualified issuers; enforcement tools include suspension, revocation, C&D, removal, CMPs; state issuers have transition and unusual-and-exigent pathway

² De-novo floor of \$5M minimum; actual OCC-set capital requirement determined individually based on business plan, risk profile, and projected stablecoin volumes — potentially significantly higher for scaled issuers

Key Requirements at a Glance

Topic	What the NPRM Proposes	Bank Impact
Reserves	1:1 backing at fair value in enumerated assets; no rehypothecation except tightly limited cases.	Lower yield, higher transparency; need real-time reserve ledger and reconciliation.
Liquidity	Principles-based with optional quantitative safe harbor or mandatory quantitative rules (under comment).	Daily measurement, buffers, counterparties and lines in place; Treasury operations uplift.
Redemption	≤2 business days in normal conditions; up to 7 days during >10%/24h stress trigger under OCC oversight.	Requires fast fiat rails, monitoring, comms playbook, and pre-arranged monetization channels.
Custody	Regulated custodians; customer-property treatment; segregation; control/possession; vetted sub-custodians.	Contracting and controls updates; audit-ready segregation evidence; key management hardening.
Reporting	Periodic data reporting to OCC; monthly public reserve composition w/ third-party review; CEO/CFO certification.	New reporting cadence and assurance costs; accelerated monthly close.

OCC NPRM vs. CLARITY ACT

SUMMARY

The OCC proposed rule implements the bank-supervisory, reserves and custody, auditing, and licensing mechanics GENIUS Act envisions for bank-linked payment stablecoins — the CLARITY Act covers many of the same subjects across the wider token ecosystem (CFTC/SEC remit, token classifications, custody, AML, market structure). The CLARITY Act is currently pending enactment – however, there are key differentials which will need to be addressed to achieve regulatory harmonization.

The comparison below reflects the areas where OCC NPRM varies from CLARITY Act. While the two largely overlap on custody, reporting, and AML, they differ in scope and lead regulators (OCC for bank issuers vs. CLARITY’s cross-agency framework) and have some critical differences to consider.

Area	OCC NPRM Stance	CLARITY Act Stance	Risk	Action for Banks
Custody	Bank custody: segregation, customer property, supervised custodians	Qualified digital asset custodian regime for CFTC/SEC markets	High	Draft custody terms to satisfy both regimes; seek legal opinions
Product Scope	Bank-linked permitted payment stablecoins; issuer obligations	Defines token categories; sets market roles	Medium	Map tokens to categories; determine dual applicability
Reserves/ Liquidity	Enumerated assets; liquidity buffers; redemption timelines	References permitted payment stablecoins; leaves reserve specifics to banking agencies	Medium	Align eligible assets; avoid divergence with market standards
Reporting/ Audit	Monthly CPA review; CEO/CFO certifications; frequent data feeds	Broad disclosures and reporting for issuers/intermediaries	Medium	Build unified reporting pipeline and assurance calendar
AML/BSA	Bank-grade AML/sanctions; FinCEN/Treasury details pending	Brings exchanges and brokers under BSA; program requirements	Medium	Harmonize monitoring and screening across regimes
Market Structure	Issuer-focused; not exchange listing rules	Creates CFTC market framework; exchange obligations	Low	Coordinate issuer–exchange–custodian roles contractually

Strategic Options for Banks

With the OCC NPRM, Banks face strategic decisions on how to participate in the digital asset space. Some alternatives include:

Option	Pros	Cons	Suitable for
Become a Federal Qualified Issuer	Control of product; revenue capture; strategic positioning.	Highest compliance lift; capital/backstop needs; scrutiny.	Large banks with digital asset strategy.
White-Label Through a Fintech	Faster time-to-market; shared ops.	Dependency and vendor risk; brand exposure.	Banks testing demand or niche segments.
Custody Only	Lower balance-sheet impact; fee income.	Limited product control; competitive field.	Banks with strong trust/custody franchises.
Provide Fiat Rails/Settlement	Leverage payments infrastructure; lower regulatory change.	Lower economics vs issuing; integration work.	Payments-focused institutions.
Avoid Issuance; Focus on Tokenization	Aligns with risk appetite; supports client needs.	Forego issuer economics.	Risk-averse banks or those early in maturity.

Strategic Options for Non-Bank Entities

While non-bank entities have additional considerations to operationalize and participate in the digital asset space, some key strategic options include:

Option	Pros	Cons	Suitable for
Become a Federal Qualified Issuer (FQI)	Apply for OCC-regulated issuer status with 1:1 reserves and full compliance obligations.	Scaled fintech issuers, consortia, foreign issuers seeking U.S. access.	High compliance lift, capital/backstop requirements, monthly accounting costs.
Partner / White-Label With a Bank	Bank issues the stablecoin; non-bank provides tech, distribution, wallets.	Fintechs seeking speed; foreign issuers wanting U.S. access.	Lower control, revenue sharing, vendor-risk oversight by bank.
Remain State-Qualified Issuer	Operate under state supervision unless crossing federal thresholds.	Existing state-regulated stablecoin firms.	Must monitor issuance levels; may face eventual OCC transition.

Adopt Non-Custodial / Protocol-Layer Model	Focus on smart-contract rails or wallets without issuing.	DeFi-oriented or infrastructure firms.	Avoids issuer rules but still subject to AML/anti-fraud expectations.
Tokenization / Payments Infrastructure Only	Provide rails, tokenization tech, APIs, or on/off-ramps without issuing.	Payments companies and enterprise tech providers.	Lower regulatory burden but reduced revenue capture.

How IBM Promontory Can Help

IBM Promontory is a leading advisory firm staffed by former senior officials of the OCC, Federal Reserve, FDIC, FinCEN, and other financial regulatory agencies. We have guided institutions through every major regulatory transformation in banking over the past two decades — and the GENIUS Act is the most significant digital asset framework ever enacted. We offer a uniquely integrated approach: IBM Promontory's regulatory depth combined with IBM Consulting's implementation capability and IBM Digital Asset Haven — a purpose-built platform addressing the OCC's custody, key management, governance, and compliance requirements — means our clients can move from strategy to live compliant operations with a single IBM relationship. Our GENIUS Act services include:

- ✓ **GENIUS Act Readiness Assessment:** A 6–8 week rapid gap analysis, licensing pathway recommendation, and prioritized compliance roadmap, including OCC Comment Letter support.
- ✓ **Charter & Licensing Strategy:** OCC application preparation for Federal Qualified Payment Stablecoin Issuer status, including board governance design, fitness documentation, and examiner engagement.

- ✓ **Reserve & Liquidity Framework:** Reserve composition strategy, monetization capability build-out, and monthly public reporting program design.
- ✓ **Risk and Compliance Framework Review:** An assessment of the enterprise risk and compliance framework against the firm's digital asset strategy, and assessment of an end-to-end AML program required for stablecoin-specific transaction monitoring, travel rule compliance, sanctions screening, and FinCEN coordination.
- ✓ **Custody & Technology Readiness:** Digital asset custody architecture, private key governance, and IBM Digital Asset Haven implementation.
- ✓ **Capital Planning & Regulatory Examination Readiness:** Capital adequacy modeling, operational backstop structuring, and mock examination preparation.

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