



GENIUS Act FDIC

Proposed Rulemaking

Signals That Stablecoins Are Moving
From Permission to Industrialization

A compliance and strategy guide for FDIC-supervised institutions-

Viewed in isolation, the FDIC's December 2025 proposal is administrative, it establishes a tailored application process for FDIC-supervised institutions seeking approval to *issue payment stablecoins through a subsidiary*. Viewed within the broader GENIUS Act architecture, however, it is a critical puzzle piece in a larger supervisory design.

- Congress has framed *who may issue* and on what *statutory terms*.
- The FDIC is defining *who may come through the door* and *what they must prove*
- The OCC has already proposed the operating model.
- The Treasury, FinCEN, and subsequent FDIC rulemakings are filling in the prudential and financial-crime controls.

The message to Stablecoin Participants is clear: stablecoins are moving from permission to industrialization, ^{[1][2][3][4][5]}and participation is increasingly becoming a strategic imperative rather

than an optional innovation track. As peers and competitors begin to establish capabilities in this space, institutions that remain entirely on the sidelines risk ceding relevance across payments, client engagement, and future digital infrastructure.

However, engagement does not imply uniform adoption. Promontory's view is that Stablecoin Participants will need to maintain some level of interaction with digital assets, but the form, scale, and role of that participation should be deliberately defined based on each institution's strategy, risk appetite, and target markets. Regulators are not simply unlocking stablecoins, they are setting the expectation that they be operated as regulated financial infrastructure. The institutions that succeed will be those that align competitive ambition with disciplined execution across risk, compliance, and technology.

Regulation is not unlocking stablecoins, it forces them to operate as regulated financial infrastructure

This framework solves for permission risk. It opens operational, governance, and ecosystem risk. Stablecoin Participants that treat stablecoins as a treasury, payments, and compliance program - rather than a crypto product - will be better positioned in the long run.

Key highlights

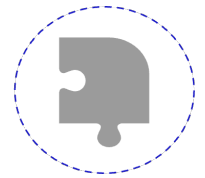
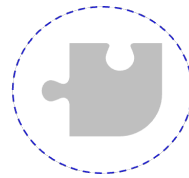
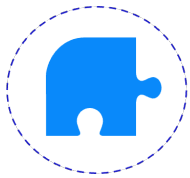
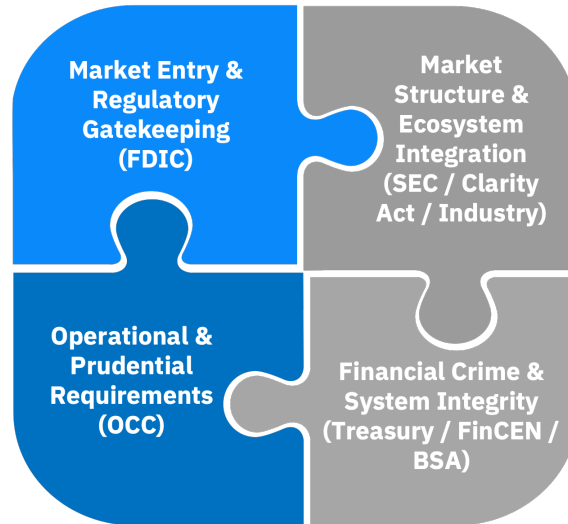
FDIC NPR: What the Rule Actually Does

Component	What It Does
Scope & Applicability	Applies to FDIC-supervised state nonmember Stablecoin Participants and savings associations issuing stablecoins through a subsidiary.
Application Requirement	Requires formal FDIC approval before issuing payment stablecoins via a PPSI structure.
Filing Contents	Mandates a comprehensive dossier covering product design, governance, reserves, financials, custody, and BSA/AML controls.
Financial & Reserve Plan	Requires detailed reserve composition, asset management approach, and disclosure of tokenized reserves.
Governance & Management Review	Evaluates fitness, experience, and integrity of directors, officers, and principal shareholders.
Auditor Requirement	Requires engagement with a registered public accounting firm to support ongoing reserve attestations.
30-Day Completeness Review	FDIC determines whether an application is “substantially complete” within 30 days (or is deemed complete).
120-Day Decision Timeline	FDIC must approve or deny within 120 days of a complete application (or approval is deemed granted).
Conditional Approval Authority	Allows FDIC to approve applications with conditions tied to safety and soundness considerations.
Appeals & Hearing Process	Provides structured timelines for denial appeals, hearings, and final determinations (30/30/60 days).
Safe Harbor / Waiver Path	Allows applicants to request waivers for certain requirements during transition periods under the GENIUS Act.

- The FDIC proposal operationalizes section 5 of the GENIUS Act by creating a tailored application process, a 30-day completeness review, a 120-day decision window, conditional approval mechanics, and appeal rights for denied applicants. ^{[1][4]}
- The filing package requires more than legal eligibility. Applicants should expect to submit a product description, governance and ownership materials, reserve, capital, and liquidity plans, three years of projections, custody and redemption procedures, BSA/AML documentation, and an auditor engagement letter.^[1]
 - *Notably, reputational risk is absent as a formal consideration in the FDIC’s proposed framework, signaling a shift away from perception-driven barriers toward measurable safety and soundness criteria*
- The proposal is procedural, but the prudential and operating direction is already visible. The OCC has proposed substantive standards across reserves, liquidity, redemption, custody, reporting, capital, and operational backstop, and the FDIC has now signaled that prudential standards are following as its second rulemaking under the Act. ^{[2][3][5]}
- For Stablecoin Participants, the question is no longer simply whether stablecoin activity is permissible. It is what role the institution wants to play in the market - issuer, partner, custody provider, or rails enabler - and whether it can defend the associated control environment under supervisory review. ^{[1][3][5]}

The Regulatory Puzzle: What each piece now tells Stablecoin Participants.

The regulatory puzzle is not yet complete, but the picture is already visible. The key for Stablecoin Participants is to interpret each rulemaking not as a standalone event, but as one piece of a target operating model. ^{[1][2][3][4]}



Key Insights

- Establishes the **formal gateway into stablecoin issuance** through structured application and approval
- Shifts regulatory focus from **innovation to institutional readiness**
- Requires banks to demonstrate **governance, financial soundness, and operational preparedness upfront**
- Creates a **defined but controlled pathway** for FDIC-supervised institutions
- Transforms stablecoins into a **liquidity-intensive, continuously supervised banking activity**
- Establishes expectations across:
 - Reserves and liquidity
 - Redemption timelines
 - Custody and segregation
 - Reporting and audit
 - Positions stablecoins closer to a **treasury and balance sheet function than a product line**
 - Introduces **real-time or near real-time compliance expectations**
- Embeds stablecoins within the **existing financial crime compliance framework**
- Extends traditional controls to digital assets:
 - AML / BSA
 - Sanctions screening
 - KYC and identity verification
 - Aligns stablecoin activity with **national security and global regulatory expectations**
 - Represents a **critical but still evolving layer** of the framework
- Defines how stablecoins interact with:
 - Capital markets
 - Exchanges and custodians
 - Tokenization ecosystems
 - Drives clarity on **asset classification and regulatory jurisdiction**
 - Enables emergence of **consortia, utilities, and shared infrastructure models**
 - Remains the **least defined but most strategically impactful layer**

Risk Introduced

- May create a **false signal of readiness** (approval ≠ operational maturity)
- Introduces **regulatory timing and approval uncertainty**
- Potential for **inconsistent supervisory interpretation across applications**
- Significant **operational complexity and execution risk**
- Economic pressure** due to constrained yield and high compliance cost
- Increased **dependency on infrastructure, data, and controls**
- Elevated **audit and regulatory scrutiny burden**
- Introduces **customer friction and onboarding complexity**
- Heightens **compliance costs and monitoring requirements**
- Creates exposure to **geopolitical and sanctions-driven disruptions**
- Risk of **overlapping or evolving regulatory expectations**
- Creates **regulatory overlap and jurisdictional ambiguity**
- Introduces **strategic uncertainty for banks choosing operating models**
- Risk of **misaligned investments amid evolving standards**
- Potential for **cross-border regulatory conflict**

How the FDIC NPR Reallocates Risk: What It Solves and What It Shifts

From a risk and regulatory perspective, the framework does not eliminate risk; it reallocates it. The proposals reduce authorization uncertainty, but they also move risk into operating-model execution, governance, and ecosystem dependency. ^{[1][2][3][4]}

What the FDIC helps solve	What the FDIC newly opens or intensifies
Unclear supervisory ownership over a new product category.	Interagency divergence and structure risk: charter, subsidiary, partner, and state-versus-federal decisions will shape compliance burden.
Weak or inconsistent market discipline around backing and redemption claims.	Treasury, liquidity, audit, and disclosure strain - including recurring data production, external assurance, and management certification burden.
A market narrative driven primarily by experimentation.	Third-party concentration, conduct, sanctions, and incident-response risk - especially where Stablecoin Participants rely on external custody, payment rails, analytics, or tokenization providers.
Permission risk and basic legal ambiguity around whether regulated Stablecoin Participants may participate.	Execution risk: Stablecoin Participants must now prove that reserve, redemption, custody, reporting, and governance controls can operate on a bank-grade basis.

Beyond immediate implementation considerations, the evolving regulatory framework raises a set of critical industry-level questions that will shape the long-term structure of digital asset markets. These questions extend beyond the FDIC NPR itself and reflect broader areas where clarity is still developing.

- Key uncertainties remain around **supervisory ownership**; particularly how primary regulatory authority will be determined across asset types and institutional structures.

- Open questions persist around how **crypto assets will ultimately be classified** across the commodity–security spectrum.
- The absence of **standardized valuation methodologies** continues to challenge the scalability of institutional use cases, particularly for lending and balance sheet treatment.
- These gaps point toward a likely increase in **industry collaboration**, with consortia and shared infrastructure emerging to establish common standards for valuation, custody, and settlement.
- Taken together, the trajectory of regulation may simultaneously **unlock greater institutional participation** by reducing legal and supervisory ambiguity, while also **constraining speculative activity** as market entry becomes contingent on meeting bank-grade operational, risk, and compliance expectations.

“Trust, transparency and governance are essential for digital assets to scale within regulated financial markets.”

IBM Institute for Business Value (IBV)
Blockchain and Digital Assets in Financial Services
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Implications for Stablecoin Participants and Actions to Take Now

The regulatory landscape is now providing financial institutions with a clearer and more credible pathway to participate in stablecoins, shifting the conversation from whether to engage to how to do so responsibly and at scale. This presents a meaningful opportunity for stablecoin participants to innovate, enhance client offerings, and remain competitive in an evolving financial ecosystem. At the same time, the environment is moving from observation to action, requiring early, strategic decisions that will shape not only regulatory outcomes, but also long-term operating models and competitive positioning.

Participation will require a deliberate approach that integrates strong risk management, operational resilience, and technology-enabled controls from the outset. Leading institutions are beginning to define their approach now, aligning business objectives with risk appetite and technology capabilities to ensure they are positioned to adapt as standards evolve.

Key implications for stablecoin participants include:

- Filing is only the front door. Supervisors are likely to test whether an institution can sustain a defensible control environment after approval, not simply whether it can complete an application package. ^{[1][2][3]}
- FDIC-supervised institutions should assume that OCC-style operational rigor will inform future market expectations and likely influence later FDIC calibration, even where the FDIC has not yet codified every detail. ^{[2][3][5]}
- Outsourcing may lower build cost, but it does not outsource accountability. Third-party custody, settlement, reserve-management, and audit models can accelerate entry while increasing vendor concentration and governance obligations.

- The scarce resources may sit outside the legal function: auditor capacity, regulated custody, payments connectivity, liquidity channels, model validation, and board attention. ^{[1][3]}
- For many financial institutions, the near-term rationale remains strategic more than economic - client retention, payments relevance, and future optionality rather than immediate spread or fee expansion. That makes disciplined role selection more important than product speed. ^[5]

Against this backdrop, stablecoin participants should take the following actions now:

1. **Choose the participation model early:** issuer, partner or white-label participant, custody provider, rails enabler, or tokenization-only participant. The strategic role should drive the control design. ^{[3][5]}
2. **Stand up a cross-functional readiness program** spanning treasury, compliance, legal, operations, cybersecurity, finance, payments, and business leadership. Stablecoin readiness is not a policy-only workstream. ^{[1][3]}
3. **Build on two tracks at once:** prepare the FDIC application dossier while designing the target operating model for reserves, redemption, custody, data, audit, and governance. ^{[1][3]}
4. **Secure critical dependencies early** - particularly auditors, regulated custodians, liquidity monetization channels, and payments-rail capabilities. These may become harder to source once the market mobilizes. ^{[1][3]}
5. **Use the comment and planning process strategically** to press for clarity on substantial completeness, tokenized-reserve treatment, disclosure confidentiality, harmonized interagency templates, and workable waiver paths. ^{[1][2][3]}

Taken together, engagement with stablecoins -and broader digital asset capabilities- is increasingly becoming a strategic necessity rather than a discretionary choice. As competitors continue to enter the space, financial institutions that remain entirely on the sidelines risk losing relevance across payments, client relationships, and future financial infrastructure. However, the question is not whether to participate, but how to do so in a manner aligned with each institution's strategy, risk appetite, and target markets.

Promontory's view is that stablecoin participants should expect to maintain some level of exposure to digital assets over time, with the specific approach, whether direct issuance, partnership, or supporting infrastructure, determined by their business model and objectives. Taken together, these actions are less about immediate deployment and more about building a sustainable foundation for participation. Institutions that act early, while remaining flexible, will be better equipped to navigate evolving requirements, integrate new capabilities, and scale responsibly over time. In this environment, preparedness and adaptability will be key differentiators as the market continues to mature.

How IBM Promontory Can Help

IBM Promontory can help institutions translate the emerging rule set into a defensible risk, compliance, and operating-model response. Our support can include:

- Participation-model and charter-pathway assessment, including the risk, control, and

- governance implications of issuing, partnering, or remaining adjacent to the market.
- Application-readiness support, including dossier development, regulatory narrative design, policy inventory, and board and examiner preparation.
- Target operating model and control design for reserves, redemption, custody, segregation, governance, disclosures, and external assurance.
- Third-party, custody, and ecosystem-risk assessment across vendors, sub custodians, analytics providers, payment rails, and interoperability dependencies.
- Financial-crime and enterprise-risk readiness, including BSA/AML design, sanctions considerations, incident-response planning, and governance uplift for digital-asset activities

By combining IBM's scalable technology with Promontory's regulatory and risk expertise, institutions can move beyond simply responding to regulation and instead build the capabilities needed to compete safely and credibly in an increasingly digital financial system.

Closing View

The puzzle is not complete, but the picture is already visible. The FDIC application rule opens the door; the OCC and subsequent FDIC and Treasury pieces are shaping the room inside. Stablecoin Participants that respond as though this is only a crypto product decision will underprepare. Stablecoin Participants that respond as though it is a treasury, payments, and risk transformation program will be better placed to enter - or support - the market on credible terms.

[1][2][3][4]

¹ Federal Deposit Insurance Corporation. "Notice of Proposed Rulemaking to Establish GENIUS Act Application Procedures for FDIC-Supervised Institutions Seeking to Issue Payment Stablecoins." FDIC, 16 Dec. 2025, www.fdic.gov/news/financial-institution-letters/2025/notice-proposed-rulemaking-establish-genius-act-application. Accessed 13 Apr. 2026.

² Federal Deposit Insurance Corporation. "FDIC Approves Proposal to Implement GENIUS Act Requirements and Standards." FDIC, 7 Apr. 2026, www.fdic.gov/news/press-releases/2026/fdic-approves-proposal-implement-genius-act-requirements-and-standards. Accessed 13 Apr. 2026.

³ Office of the Comptroller of the Currency. "GENIUS Act Regulations: Notice of Proposed Rulemaking." OCC Bulletin 2026-3, 25 Feb. 2026, www.occ.gov/news-issuances/bulletins/2026/bulletin-2026-3.html. Accessed 13 Apr. 2026.

⁴ United States Congress. "S.1582 - GENIUS Act." Congress.gov, Public Law No. 119-27, 18 July 2025, www.congress.gov/bill/119th-congress/senate-bill/1582/all-info. Accessed 13 Apr. 2026.

⁵ Jain, Shweta. "GENIUS Act: OCC Proposed Rulemaking is out: A Compliance and Strategy Guide for Payment Stablecoin Issuers." IBM Promontory, Mar. 2026.

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