

Digital Assets, Stablecoin, & GENIUS Act: Risks & Opportunities

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Agenda

1. Crypto and stablecoin basics
2. What's in the GENIUS Act?
3. Implementation process
4. Paths for community bank involvement
5. What's next in DC
6. Key takeaways
7. Questions?

Crypto & stablecoin basics

Stablecoins are a type of cryptocurrency intended to maintain a fixed value.

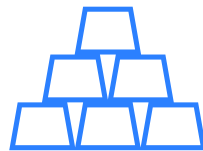
Stablecoins are typically pegged to or backed by a reference asset. They have been lightly regulated until now.



Fiat-backed stablecoins

99% of outstanding stablecoins by value are pegged to the US dollar.

- Tether's USDT, Circle's USDC



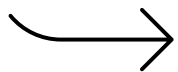
Asset-backed stablecoins

Can be backed by traditional assets and commodities (gold, oil, commercial paper, etc.) or by other cryptocurrencies

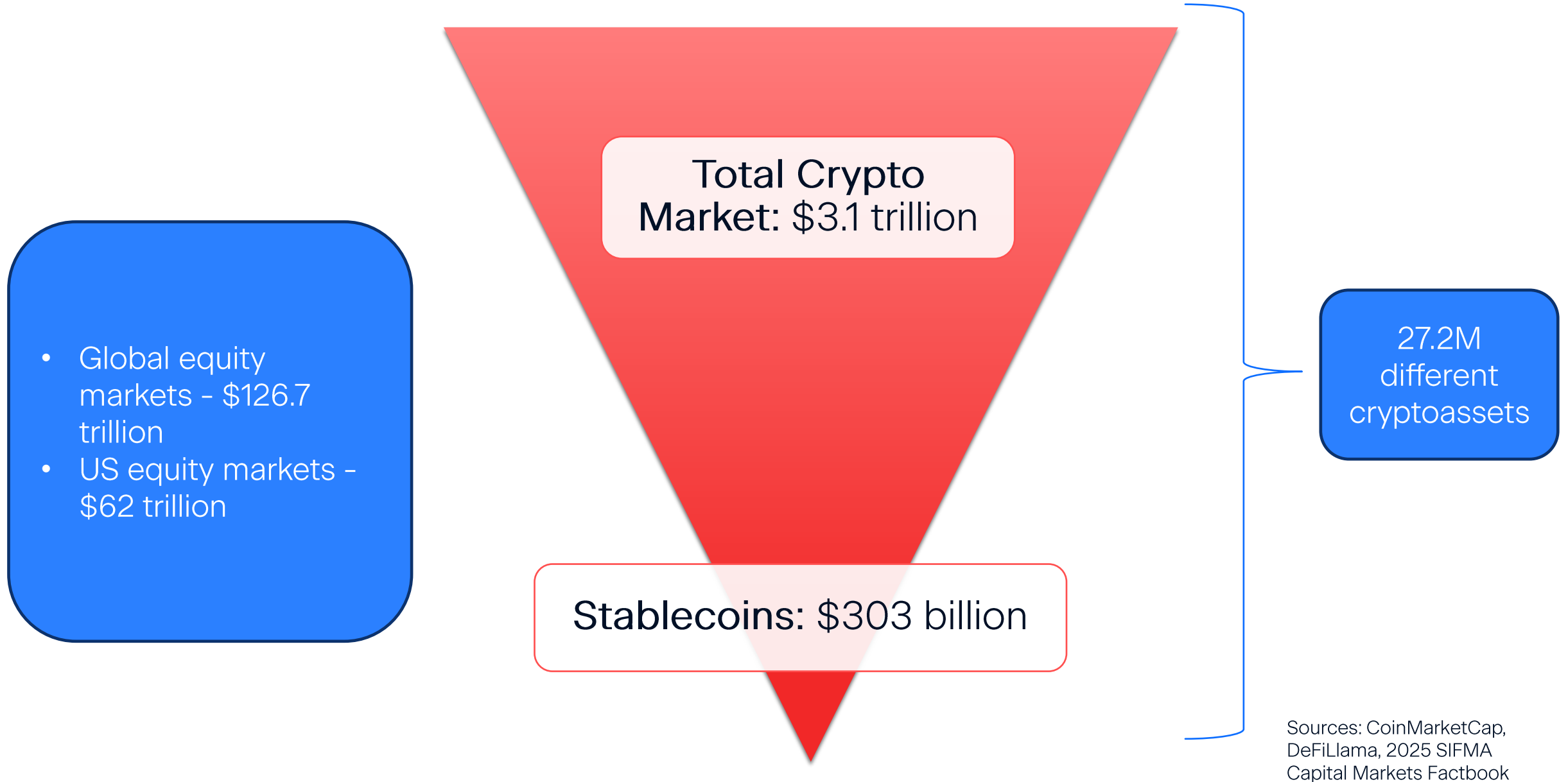


Algorithmic stablecoins

Seek to maintain value not through backing assets, but rather through algorithms and/or smart contracts that adjust supply.



The GENIUS Act refers to *payment stablecoins*, a specific subset of fiat-backed stablecoins.



Some key metrics:

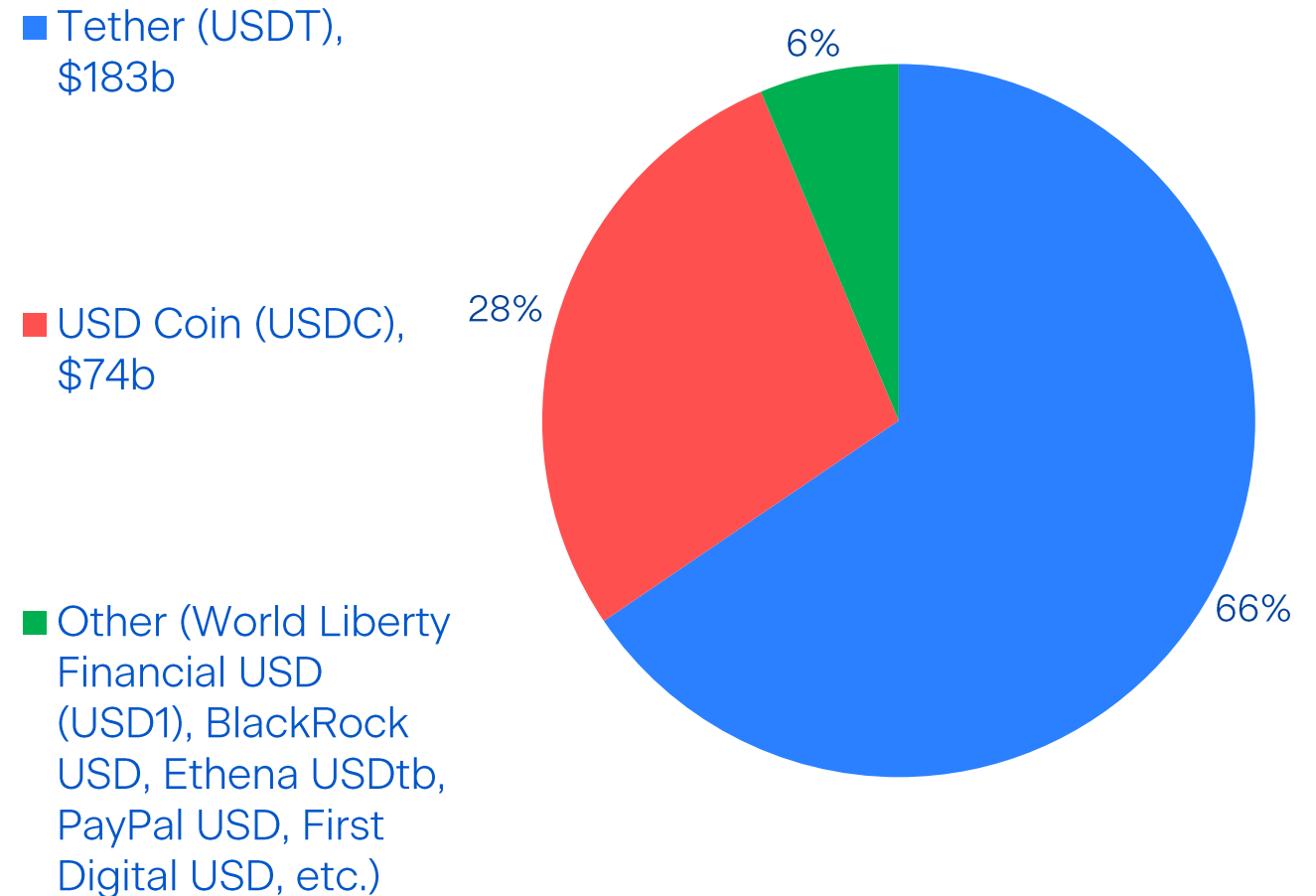
Stablecoins

- Total Stablecoin Market Cap:\$303b
- Fiat-backed stablecoin market cap: \$277b
- US dollar-backed stablecoin market cap: \$276b

Sources: Coingecko.com; DeFiLlama.com (Oct 29, 2025).

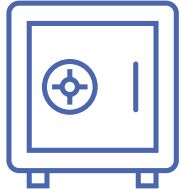
Fiat-backed Stablecoins

\$277b market cap



Data source: DeFiLlama.com

Key driver of stablecoin risk for banks: Instability and runs.



Crypto custody

- Reputational and operational risks
- Liquidity stress scenarios where a custody incident leads to a deposit run



Deposit services for stablecoin reserves

- Unpredictability of the scale and timing of deposit inflows and outflows
- Key factors:
 - Demand for stablecoins
 - Customer and market confidence
 - Issuer's reserve management



Providing crypto firms with traditional banking services

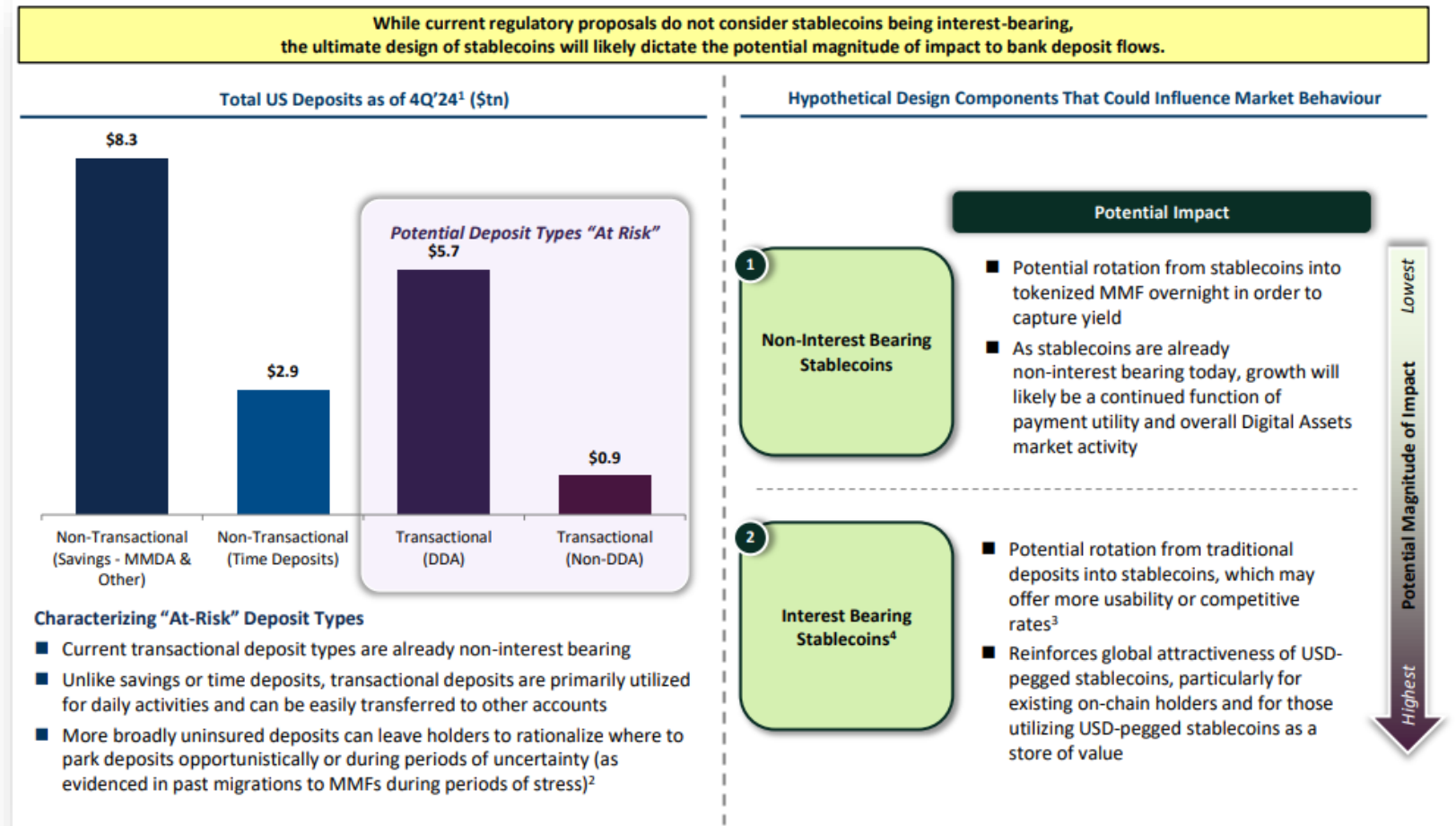
- Monitor exposure to or concentrations in crypto ecosystem
- Cautionary tales: 2023 failures



Stablecoin issuer:
Regulatory framework still developing.

- Financial stability: Run risks, De-pegs and volatility
- Disintermediation of banks, less deposits harms credit creation.
 - TBAC [report](#): Up to \$6.6 trillion in bank deposits may be “at-risk” of moving into stablecoins.
 - KC Fed: Stablecoin market growth to \$900B could increase Treasury demand, but shift could cause \$325B reduction in bank loans to economy

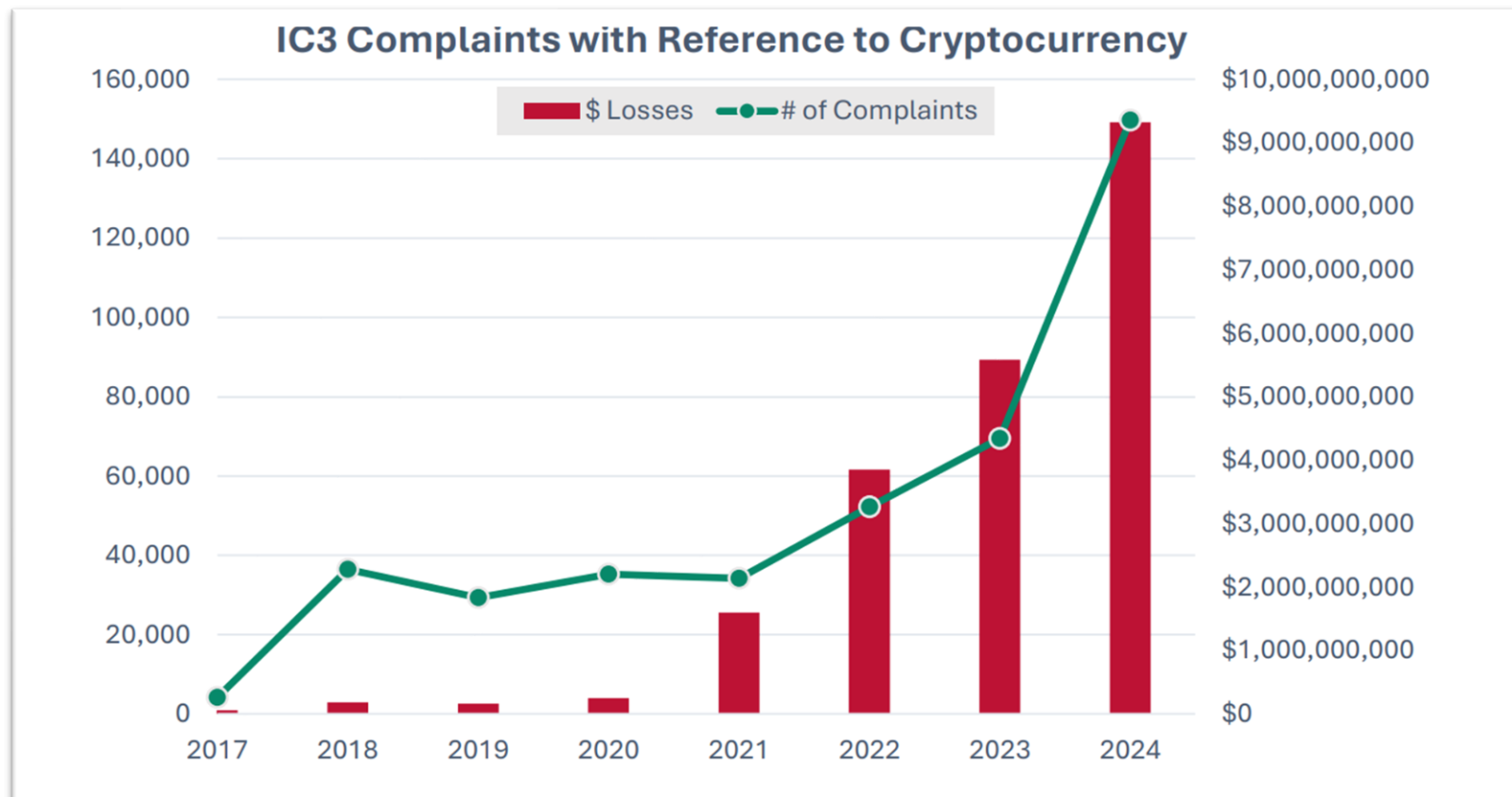
Stablecoin Disintermediation Risks





Illicit Finance Concerns

- [FATE](#): Most on-chain illicit finance now involves stablecoins.
- Stablecoins are critical components to laundering process for scammers and North Korean hackers.
- Stablecoins are used by North Korea to buy weapons and military-grade equipment.



Washington: #8 for total crypto-related complaints (4169), #9 for losses (\$204,694,032)

Stablecoins in Illicit Finance

The Multilateral Sanctions Monitoring Team detailed how DPRK agents cycle in and out of stablecoins with the use of decentralized exchanges, centralized exchanges, and OTC brokers.

- **Step 1: Swap** DPRK cyber actors swap stolen tokens into mainly ETH, BTC, or DAI (a decentralized stablecoin) using decentralized exchanges and consolidate these assets in unhosted wallets. Tokens may also be swapped into U.S. dollar Tether (USDT) and other stablecoins like decentralized U.S. dollars (USDD) but for only short periods of time.
- **Step 2: Mix** DPRK cyber actors sometimes rapidly mix tokens before consolidating them in unhosted wallets. DPRK actors continued to use Wasabi Wallet, CryptoMixer, Tornado Cash, JoinMarket, and Railgun during the reporting period.
- **Step 3: Bridge** DPRK cyber actors exchange ETH for other cryptocurrencies, primarily BTC, using a series of blockchain bridges, instant exchanges, and P2P traders, who use accounts at centralized services to obtain liquidity.
- **Step 4: Store** DPRK cyber actors store funds in cryptocurrencies with limited interdiction opportunities—primarily BTC—within unhosted wallets, including cold storage wallets.
- **Step 5: Mix Again** At times, DPRK cyber actors mix cryptocurrencies again, often using BTC mixers, and send funds to unhosted wallets.
- **Step 6: Bridge** DPRK cyber actors exchange mixed BTC for Tron (TRX) using blockchain bridges and P2P traders.
- **Step 7: Swap** DPRK cyber actors swap TRX for USDT and stage funds for cashout.¹³⁷
- **Step 8: Convert** DPRK cyber actors transfer USDT to OTC brokers—typically in DPRK’s preferred banking locations—with accounts at centralized exchanges.¹³⁸
- **Step 9: Remit** DPRK cyber actors receive fiat currency from OTC brokers, often deposited to DPRK-controlled bank accounts through UnionPay cards issued by Chinese Banks.¹³⁹

Source: MSMT, [“The DPRK’s Violation and Evasion of UN Sanctions through Cyber and Information Technology Worker Activities.”](#) October 22, 2025

What's in the GENIUS Act?

The GENIUS Act: What is a "payment stablecoin?"

A digital asset

- designed to be used as a means of payment or settlement;
- The issuer of which,
 - Is obligated to convert, redeem, or repurchase for a fixed amount; and
 - Will maintain a stable value relative to the value of a fixed amount.
- Is not a national currency or a deposit

What is a *digital asset*?

any digital representation of value that is recorded on a cryptographically secured distributed ledger

What is a *distributed ledger*?

technology in which data is shared across a network that creates a public digital ledger of verified transactions or information among network participants and cryptography is used to link the data to maintain the integrity of the public ledger and execute other functions.

The GENIUS Act:

Who can issue a payment stablecoin?

Permitted stablecoin issuers:

- **Banks and credit unions:** Subsidiary of a national or state-chartered insured depository institution approved by their primary federal regulator (OCC, Fed, FDIC, NCUA)
- **Federal-qualified payment stablecoin issuer** – nonbank, uninsured national bank, foreign bank (OCC)
- **State-qualified payment stablecoin issuer**
 - < \$10B stablecoins outstanding: opt-in to state regime if Treasury committee certifies "substantially similar" to federal regime
 - >\$10B stablecoins outstanding: transition to federal framework in 360 days unless waiver from federal regulator (factors: capital, history, state framework)

Limits on non-financial public companies:

- Non-financial public companies are ineligible to issue stablecoins unless they obtain a unanimous vote by the Stablecoin Certification Review Committee (Treasury Secretary, Fed Chair, and FDIC Chair). SCRC Must find the company:
 - Will not pose a material risk to the safety and soundness of the U.S. banking system, the financial stability of the U.S., or the Deposit Insurance Fund
 - Will comply with limits on use of nonpublic personal information obtained from stablecoin transaction data.

Stablecoins: Roles Relevant to the GENIUS Act

Note: Many crypto firms are vertically integrated and play multiple roles.

Permitted Payment Stablecoin Issuers

- Banks
- Credit unions
- Nonbanks

Digital asset service provider

- E.g., exchanges, custodians

Market participants

- E.g. retail customers, institutional investors

GENIUS Act: Key Requirements and Limitations

Requirements

- Maintain reserves on 1-1 basis (US currency, demand deposits, treasuries, tokenized reserve assets)
- Reserves must be segregated
- Redemption policy
- Monthly attestations of reserves on website
- Treated as financial institution for purposes of Bank Secrecy Act
- Capital and liquidity requirements
- Permitted Activities: issuing and redeeming stablecoins; managing reserves; custodial or safekeeping services; and other activities that directly support

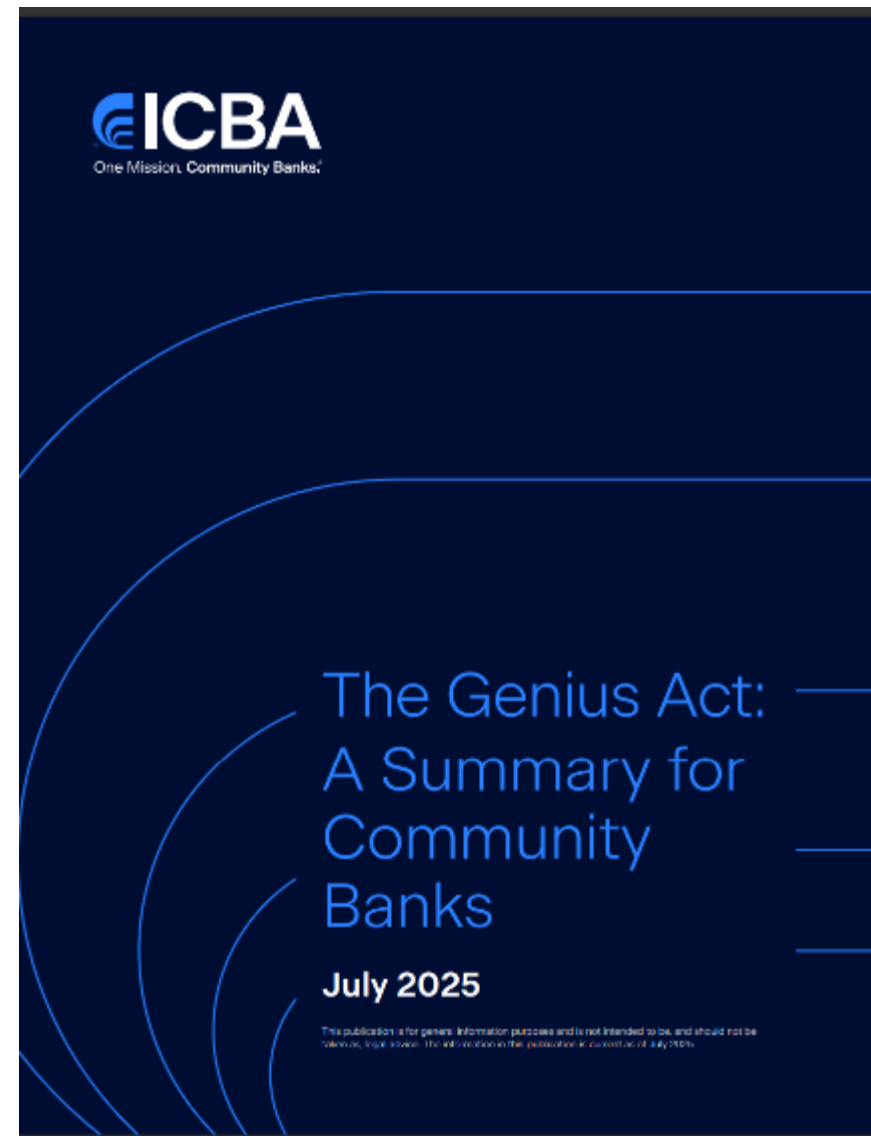
Limitations

- Prohibits issuers from paying interest or yield to holder of stablecoin in connection with holding, use, or retention of stablecoin
- Does not expand or contract eligibility for Federal Reserve master account
- Prohibition on tying
- May not represent stablecoin is government guaranteed or insured
- May not rehypothecate or pledge reserves

Community Bank Permissible Activities

Under the GENIUS Act, a community bank may, subject to applicable regulatory approval:

- issue its own payment stablecoins,
- act as custodian for a payment stablecoin issuer, and
- engage in all stablecoin-related activities and investments contemplated by the new law.



ICBA Advocacy

Protect against community bank disintermediation

Incentivizing migration of retail deposits to stablecoins would:

- Inhibit community bank lending
- Increase borrowing costs
- Impair credit availability

Phase 1: GENIUS ACT (S. 1582)

Doesn't Expand or Contract Access to Federal Reserve Master Accounts

Bars Issuers from Offering Yield/Interest

Conditions on big tech ability to issue stablecoins

Implementation Process

Key dates in the GENIUS Act

Earlier of:

January 18, 2027 or 120 days post-final rules

- Effective date for the Act
- Only PPSIs allowed to issue payment stablecoins in the US
- Restriction on PPSI paying yield or interest

July 18, 2028 (3 years from enactment)

- Restrictions on exchanges and other digital asset service providers go into effect
- Illegal for digital asset service provider to offer or sell a payment stablecoin to a person in the US unless it is issued by a permitted payment stablecoin issuer (subject to limited safe harbor)

Some of the rulemakings to implement the GENIUS Act:

Treasury

- BSA and sanctions rulemaking
- Principles to assess state-level regulatory standards
- Foreign issuer compliance & reciprocity

OCC

- Rules on the issuance of stablecoins

Federal banking agencies

- Capital, liquidity & risk management
- Comingling of funds rules
- Interoperability rules

FRB

- Anti-tying

FinCEN

- AML innovation and risk management standards

State regulators

- Capital, liquidity & risk management
- Standards for issuance of stablecoins

Also required: many reports and studies to be carried out by Treasury and the federal banking regulators.

Current status of GENIUS-related rulemakings

- Department of the Treasury is seeking feedback on innovative methods, techniques, or strategies that financial institutions could use to detect illicit activity involving digital assets. Due October 17.
- Treasury also issued a substantial ANPRM for comments on AML obligations, state vs. federal oversight, tax issues, and the meaning of key words in interest/yield prohibition. Due November 4.

SUMMARY:

The Department of the Treasury (Treasury) is issuing this advance notice of proposed rulemaking (ANPRM) to solicit public comment on questions relating to the implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act. The GENIUS Act tasks Treasury (and various other federal agencies) with issuing regulations that encourage innovation in payment stablecoins while also providing an appropriately tailored regime to protect consumers, mitigate potential illicit finance risks, and address financial stability risks. Through this ANPRM, Treasury is seeking public comment on potential regulations that may be promulgated by Treasury, including regarding regulatory clarity, prohibitions on certain issuances and marketing, Bank Secrecy Act (BSA) anti-money laundering (AML) and sanctions obligations, the balance of state-level oversight with federal oversight, comparable foreign regulatory and supervisory regimes, and tax issues, among other things. Treasury is seeking comment on all aspects of the ANPRM from all interested parties and also requests commenters to identify other issues that Treasury should consider.

Possible Paths for Community Bank Involvement with Cryptoassets and Payment Stablecoins

Current state of play for banks

Permissible activities:

- Crypto custody
- Certain stablecoin activities, particularly reserves
- Blockchain and DLT systems, including to verify or facilitate certain customer payments
- Traditional banking services for crypto firms

Open question:

- ~~Ability for a bank to hold crypto on its own balance sheet (OCC just [released](#) IL 1186 to permit national banks to hold crypto on balance sheets for fees and tests)~~



Office of the Comptroller of the Currency

Washington, DC 20219

Interpretive Letter 1183 March 2025

OCC Letter Addressing Certain Crypto-Asset Activities

March 7, 2025

This letter rescinds Interpretive Letter 1179 (November 18, 2021). This letter also reaffirms that the crypto-asset custody, distributed ledger, and stablecoin activities (hereafter, “crypto-asset activities”) discussed in prior letters are permissible. Specifically, the OCC issued three interpretive letters in 2020 and early 2021 addressing whether it is permissible for national banks and federal savings associations (collectively, “banks”) to engage in crypto-asset activities. These interpretive letters are:

- OCC Interpretive Letter 1170 (July 22, 2020), addressing whether banks may provide crypto-asset custody services;
- OCC Interpretive Letter 1172 (September 21, 2020), addressing whether banks may hold dollar deposits serving as reserves backing stablecoins in certain circumstances; and
- OCC Interpretive Letter 1174 (January 4, 2021), addressing whether banks may (1) act as nodes on an independent node verification network (i.e., a distributed ledger) to verify customer payments and (2) engage in certain stablecoin activities to facilitate payment.

“ensure that bank activities will be treated consistently, regardless of the underlying technology.”

1174 as part of its ongoing supervisory process. As with any activity, banks must conduct all crypto-asset activities in a safe, sound, and fair manner and in compliance with applicable law. New activities should be developed and implemented consistent with sound risk management practices and align with banks’ overall business plans and strategies.

/s/

Rodney E. Hood
Acting Comptroller of the Currency

¹ Interpretive Letter 1179 outlined a supervisory nonobjection process for banks that seek to engage in the activities addressed in Interpretive Letters 1170, 1172, or 1174.

Community banks have multiple ways to engage with payment stablecoins.

Consider whether doing so is appropriate for your customers or business model.

Possible means of engaging:

- Providing traditional banking services to payment stablecoin-related entities
- Alternative payment mechanism
- Cross-border payments
- Custody
- On/off ramp from fiat to stablecoins
- Utilize service providers to offer buy/hold/sell platform
- Managing stablecoin reserves
- Issuing a stablecoin

Uncertainty and risks remain:

- Market structure bills
- Regulatory framework evolving
- Adoption rate by businesses and the public remains to be seen
- Risk of illicit activities/fraud
- Custodial risks
- Compliance risks and costs
- Cybersecurity threats
- Stablecoin run risk

Key takeaways

- Community banks play a key role in the banking sector and will continue to do so.
- ICBA continues to advocate for community banks in the debate over stablecoins and other digital assets issues.
- ICBA is here to help keep you informed about the changing landscape so you can make informed decisions that make sense for your business model and your customers.



ICBA continues to advocate for and provide resources to community banks.



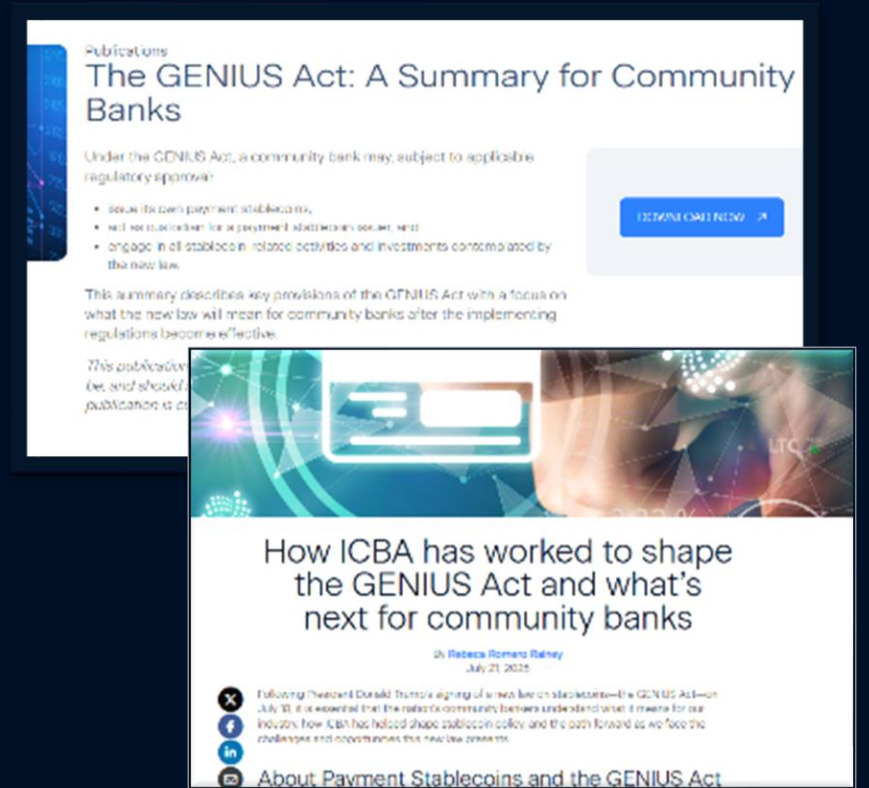
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Check [ICBA.org](https://www.icba.org) for more.

Questions?

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