

# Regulatory Alert

## Regulatory Insights

December 2025

### FDIC Proposal: Application Process for Payment Stablecoin Issuers

#### KPMG Regulatory Insights:

- **Signals:** Continued regulatory efforts to promote digital currency innovations.
- **Impact:** Intent is to minimize the regulatory burden for applicants by requesting only information necessary to evaluate the factors to be considered under the GENIUS Act and to utilize information already available to the FDIC as the primary regulator of the applicant.
- **More to Come:** The FDIC's proposal is the first step of many from state and federal prudential banking regulators to implement the GENIUS Act.

The Federal Deposit Insurance Corporation (FDIC) issued a [proposal](#) to implement certain application provisions under the GENIUS Act (See KPMG Regulatory Alert [here](#)). The proposal would establish procedures for an FDIC-supervised institution to obtain approval to issue payment stablecoins through a subsidiary and to engage in certain related activities. The FDIC states that, with this proposal, it seeks to “evaluate the safety and soundness of an applicant’s proposed activities based on consideration of statutory factors and support the responsible growth and use of digital assets and related technologies while minimizing the regulatory burden on applicants.”

The proposal would create a new section 12 CFR 303.252 in the FDIC Rules and Regulations titled “Permitted payment stablecoin issuers.” Provisions covered by the new section include:

1. Scope
2. Definitions
3. Contents of Filing
4. Application Processing and Decisions
5. Processes for Appeals and Final Determinations

The FDIC invites comments on the proposal for a period of sixty days following publication in the Federal Register.

#### 1. Scope

The proposed application procedures are applicable to FDIC-insured state non-member banks and FDIC-insured state-

chartered savings associations (together FDIC-supervised institutions) seeking approval to issue payment stablecoins through a subsidiary. Once approved, the subsidiary would become a “permitted payment stablecoin issuer” (PPSI) under the GENIUS Act and the FDIC would supervise that PPSI as its federal payment stablecoin regulator. Under the proposal, FDIC-supervised institutions would be required to seek FDIC approval before issuing payment stablecoins.

#### 2. Definitions

The FDIC proposes to define the term(s):

- “Applicant” to include an FDIC-supervised institution that seeks to issue payment stablecoins through a subsidiary in order to distinguish the applicant from the PPSI subsidiary through which the institution would issue payment stablecoins and perform certain other payment stablecoin activities
- “Digital asset service provider,” “payment stablecoin,” “permitted payment stablecoin issuer,” and “substantially complete” by referencing the relevant definitions in the GENIUS Act
- “State nonmember bank,” “state savings association,” and “subsidiary” as defined in the FDI Act

#### 3. Contents of Filing

The proposal would require the applicant to submit information to the FDIC in the form of a letter that would

contain information as listed in the regulation, to the extent applicable, and including:

- A description of proposed stablecoin and proposed activities of the subsidiary, including:
  - Related activities of the applicant
  - How the subsidiary plans to maintain the proposed payment stablecoin's stable value or reasonable expectation thereof (e.g., applicant guarantees, intercompany agreements)
  - Proposed incidental activities to the payment stablecoin activities or digital asset service provider activities
- Relevant financial information for the subsidiary, including:
  - Planned capital and liquidity structure
  - Reserve assets composition (including whether any reserves are proposed to be in tokenized form) and an associated asset management plan
  - Financial projections for the first three years of the subsidiary's operations
- A description of the subsidiary's ownership and control structure, organizing documents, list of proposed directors, officers, and shareholders (if different from the applicant), and state whether any proposed directors or officers have felony convictions for insider trading, embezzlement, cybercrime, money laundering, terrorism financing, or financial fraud
- Relevant policies and procedures and customer agreements, including:
  - Custody and safekeeping
  - Segregating customer and reserve assets
  - Recordkeeping
  - Reconciliation and transaction processing
  - Redemption (e.g. responsibilities of the applicant and the subsidiary, process, conditions)
  - Bank Secrecy Act (BSA)/anti-money laundering (AML)/countering the financing of terrorism (CFT) and economic sanctions requirements pursuant to the GENIUS Act
- An engagement letter with a registered public accounting firm

*Note: To the extent possible, the FDIC would use information available to it as the primary Federal regulator of the applicant rather than requesting duplicative information.*

#### 4. Processing and Decisions

As proposed, section 303.252 would largely follow the language of the GENIUS Act in describing the FDIC's decision-making process including requirements, timelines, considerations, and notices. The FDIC would notify an applicant as to whether the application is considered "substantially complete" not later than 30 days after the FDIC receives an application. Further, it would state that the FDIC shall approve or deny an application not later than 120 days after receiving a "substantially complete" application. However, if the FDIC does not render a decision on a substantially complete application within 120 days of receiving it, the application shall be deemed approved. The FDIC may impose conditions upon approving an application.

The denial of an application would be based on whether the activities of the applicant would be unsafe or unsound based on the factors described in the GENIUS Act. The FDIC would provide the applicant with written notice of the basis for denial not later than 30 days after the date of such denial, explaining the denial with specificity and providing recommendations to address shortcomings.

#### 5. Appeals and Final Determinations

As proposed, no later than 30 days after receipt of a denied application, applicants may request, in writing, a written or oral hearing before the FDIC. For purposes of an appeal, the FDIC would treat a denial of a PPSI application as akin to a material supervisory determination, requiring a denied applicant to follow procedures similar to the process for an appeal of a material supervisory determination but within the timelines provided under the GENIUS Act. Final decisions would be communicated within 60 days post-hearing.

In instances where an applicant does not provide timely request for a hearing, the FDIC would provide written notice to the applicant that the denial of the application is a final determination. Such notice shall be provided not later than 10 days after the date the applicant could have requested a hearing.

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