

Regulatory Alert

Regulatory Insights

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GENIUS Act: FDIC, NCUA, OCC Proposals for Applications, Prudential Frameworks

KPMG Regulatory Insights:

Unified Focus: The FDIC, NCUA and OCC issue proposed implementing regulations that closely align with the provisions of the GENIUS Act and with one another, nuanced for the specific entities under their respective jurisdictions, including a focus on safety and soundness and requirements related to application processes, reserve requirements, capital, risk management, and custody (as appropriate).

OCC Frontrunner: The OCC is the first of the federal payment stablecoin regulators to issue a “comprehensive” proposal—covering frameworks for applications/licensing and supervision and regulation, “setting the tone” for the other regulators (Note: FDIC states that it has aligned its proposal with that of the OCC where relevant).

Potential for Change: Though closely aligned with the GENIUS Act, the agencies are posing a large number of questions—nearly 350 from the FDIC and OCC combined—which could generate significant input from interested parties.

Safe Harbor: The safe harbor provides opportunity for the agencies to waive compliance with the GENIUS Act provisions for up to 12 months for PPSIs with substantially complete applications pending as of the effective date of the GENIUS Act. Important to note that a waiver does not preclude the agencies from denying an application.

The Federal Payment Stablecoin Regulators – defined by the GENIUS Act to include the FDIC, OCC, FRB, and NCUA – are separately issuing proposed rules to implement certain provisions of the law applicable to the insured depository institutions (IDIs) and permitted payment stablecoin issuers (PPSIs - again, as defined in the GENIUS Act) under their jurisdictions.

Recent releases include proposals from:

- [OCC](#) and [NCUA](#), outlining application and licensing requirements for IDIs and PPSIs including content, form, and review factors. (Note: The FDIC previously released a similar proposal.)
- [OCC](#) and [FDIC](#), outlining prudential regulatory requirements for IDIs and PPSIs across a variety of areas such as reserve assets, capital, liquidity, and custodial services.

The GENIUS Act mandates that final implementing rules be issued by July 18, 2026. The GENIUS Act goes into effect January 18, 2027, or 120 days after the primary Federal Payment Stablecoin Regulators (FDIC, FRB, NCUA, OCC) issue final implementing regulations. No proposals have yet been released by the FRB regarding applications or prudential frameworks under the GENIUS Act.

Requirements directed toward PPSIs related to BSA/AML/CFT and sanctions compliance are covered in a joint release from FinCEN and OFAC (see KPMG Regulatory Alert, [here](#)).

Application and Licensing Requirements

Proposals from the OCC and NCUA outline application and licensing requirements for entities under their jurisdictions (IDIs and other entities) and PPSIs, including content, form, and review factors. The FDIC previously released a similar proposal (see KPMG Regulatory Alert, [here](#)).

Office of the Comptroller of the Currency

Scope. The proposed application/licensing procedures are applicable to insured national banks, federal savings associations, and insured federal branches that seek to establish subsidiaries to issue payment stablecoins as well as to nonbank entities, uninsured national banks (e.g., trust banks), and uninsured federal branches that seek to issue payment stablecoins as federal qualified stablecoin issuers. Once approved, the entities would become PPSIs under the supervision of the OCC. Foreign payment stablecoin issuers (FPSIs) that meet certain conditions and register with the OCC would be permitted to issue and/or trade their payment stablecoins in the United States.

Application/Licensing. Under the proposal, applicants would be required to submit all information requested in a form to be maintained on the OCC website (though information details are not included in the proposal.) Each director, executive officer, and principal shareholder of the applicant (or in the case of an applicant that is an insured national bank, federal savings association or federal branch, of the subsidiary of the applicant) would be required to submit the information prescribed in the Interagency Biographical and Financial Report. The application must include a certification that the information provided does not contain any “material misrepresentations or omissions.”

Review. Consistent with the FDIC, the OCC would consider the statutory factors when evaluating whether an application is “substantially complete:”

- Ability, based on financial condition and resources, to meet the substantive requirements for issuing payment stablecoins.
- Whether the officers or directors have been convicted of certain felonies, such as insider trading, embezzlement, cybercrime, money laundering, financing of terrorism or financial fraud.
- Competence, experience and integrity of relevant officers, directors and principal shareholders, including their compliance record and ability to fulfill OCC-imposed commitments or conditions.
- Whether the redemption policy meets the rule requirements.

Processing. Again, consistent with the FDIC, the OCC would notify applicants not later than 30 days after receipt of an application whether the application is “substantially complete,” and thereafter is deemed approved as of the 120th day after receiving the “substantially complete” application unless denied based on the OCC’s review of the factors finds the activities would unsafe and unsound.

Safe Harbor. Entities with substantially complete applications pending as of the effective date of the GENIUS Act, may request in writing that the OCC grant a waiver of the approval requirements for up to 12 months after the effective date.

FPSIs. Foreign payment stablecoin issuers would be required to: i) be subject to a “comparable” supervisory and regulatory regime, ii) is not domiciled or regulated in a country subject to “comprehensive economic sanctions” by the U.S. or designated a “primary money laundering concern,” iii) register with the OCC through an application process as outlined in the proposal, and iv) hold sufficient reserves to meet liquidity demands of U.S. customers. FPSIs would be subject to the same reporting, supervision and examination requirements for domestic PPSIs.

National Credit Union Administration

Scope. The NCUA’s application procedures are applicable to federally insured credit unions (FICUs), including state-chartered credit unions, that seek approval/licensure to establish a subsidiary to issue payment stablecoins. Once approved, the subsidiary would become a PPSI under the supervision of the NCUA. The proposal would also limit FICUs to investing only in NCUA-licensed PPSIs.

Application/Review/Process. The NCUA proposal generally follows the approach to the application process followed by the FDIC and OCC, including submission of information on the PPSI’s proposed activities (i.e., business plan) as well as on its directors, officers, and shareholders; evaluation based on the statutory review factors; the processing timeframes for approval and/or denial; and the safe harbor. Key items unique to the NCUA application and licensing process include:

- **Joint Application and Approval:** The FICU (as the “parent company”) and the FICU subsidiary (the proposed PPSI) must jointly file the application (rather than just the FICU/IDI). With the application, the parent company and proposed PPSI must:
 - Certify, along with any principal shareholders, that the information submitted does not contain “material misrepresentations or omissions.”
 - Provide information on the competence, experience, and integrity of the directors, officers and principal shareholders of the parent company and the proposed PPSI.
- **Multiple Parent Companies:** The NCUA anticipates that more than one FICU may invest in the same proposed PPSI resulting in the potential for multiple parent companies; the proposed rule would generally define a “parent company” as an FICU that owns, controls or holds the power to vote 10 percent or more of any class of voting securities, or has the ability to direct the management or policies of a PPSI.
- **New Guidance:** To facilitate compliance with the regulations, the NCUA intends to issue the NCUA Payment Stablecoin Licensing Manual, guidance to help develop business plans, and the NCUA Biographical and Financial Report, which is intended to be similar to the Interagency Biographical and Financial Report.

Prudential Regulatory Requirements

In each of their proposed supervisory frameworks, the OCC and FDIC issue common requirements for PPSIs across various categories included in the table below. Details of the agencies' individual approaches and questions may vary.

Category	Requirements for PPSIs
Reserve Assets	<p>Comply with reserve requirements including:</p> <ul style="list-style-type: none"> — Maintaining reserve assets that back stablecoins on at least a one-to-one basis. Eligible reserve assets would be limited to certain categories, including U.S. coins or currency, funds in an account at a Federal Reserve Bank, funds held as demand deposits at insured institutions, and Treasury bills, notes, and bonds with a remaining maturity of 93 days or less. — Segregating reserve assets from other assets owned or held by the permitted payment stablecoin issuer.
Capital	<p>Submit, as part of the application, current capital position and anticipated capital needs. Each agency would assess the applicant's financial condition and capital plans as a core part of the application decision. In general, the agencies would:</p> <ul style="list-style-type: none"> — Establish an initial minimum capital requirement of \$5 million that could be tailored to the business model and risk profile of a PPSI for a “de novo period” - generally the three-year period following chartering or licensing. Subject PPSIs to ongoing capital requirements that include calculating a minimum capital requirement based on estimates submitted during the de novo chartering phase. — Impose an operational backstop requirement to support ongoing operations during a business disruption, to be held separately from reserve assets and consisting of “highly liquid assets.”
Liquidity/ Redemption	<p>Manage liquidity risk in a manner that is appropriate to the business model and risk profile of the PPSI and be able to monetize the reserve assets, potentially quickly and with short notice, to meet redemption requests.</p> <p>Publicly disclose the:</p> <ul style="list-style-type: none"> — Redemption policy, including procedures for “timely” redemption of outstanding payment stablecoins, potential for extension to the redemption timeframes, and any associated fees. — Monthly Public Reserve Report, detailing the composition, value, and location of reserve assets.
Risk Management	<p>Meet expectations to:</p> <ul style="list-style-type: none"> — Establish and maintain BSA/AML/CFT and sanctions compliance programs as required by FinCEN and the federal payment stablecoin regulators, as well as certify, on an annual basis, as to the implementation of these programs. — Have internal controls and establish an information technology system program that assesses and manages information technology and information security risks. — Set up business continuity managements programs, cybersecurity and operational resilience, and disaster recovery capabilities. — Implement policies and procedures to address insider, affiliate, and third-party service arrangements/transactions. — For PPSIs with more than \$50 billion in consolidated total outstanding issuance value that are not subject to certain reporting requirements under federal securities laws, prepare and make publicly available, an annual audited financial statement.
Prohibited Activities	<p>Refrain from engaging in certain prohibited activities, including:</p> <ul style="list-style-type: none"> — Commingling reserve assets. — Marketing a product in the United States as a payment stablecoin, or issuing a payment stablecoin, unless the product or payment stablecoin is issued in compliance with the GENIUS Act. — Representing that payment stablecoins are backed by the full faith and credit of the United States, guaranteed by the United States Government, or subject to federal deposit insurance or federal share insurance.

	<ul style="list-style-type: none"> — Pledging, rehypothecating, or re-using reserve assets (unless applicable to certain exceptions). — Paying any form of interest or yield to payment stablecoin holders solely in connection with the holding, use, or retention of such payment stablecoin, including through certain arrangements with affiliates and third parties.
Custody	<p>Supervised entities, including PPSIs, that provide custodial or safekeeping services for payment stablecoin reserves, payment stablecoins used as collateral, or private keys used to issue payment stablecoins must:</p> <ul style="list-style-type: none"> — Treat payment stablecoin-related assets as customer property. — Protect customer assets from the claims of the custodian’s creditors. — Maintain possession or control of customer assets held directly. — Not commingle customer assets with the custodian’s (subject to limited exception). <p>The use of sub-custodians would be permitted provided the custodian has adequate safeguards and controls for oversight of the sub-custodian’s compliance with custody rules.</p>

Office of the Comptroller of the Currency. Additional provisions unique to the OCC’s proposal include provisions to address:

- **Transition of State PPSIs.** PPSIs that are state qualified payment stablecoin issuers with an outstanding issuance value of more than \$10 billion would be required to transition to OCC oversight within 360 days of crossing the threshold and to notify the OCC within five calendar days after the transition threshold is triggered. State qualified payment stablecoin issuers could request a waiver if they seek to remain supervised solely by the applicable State regulator. (See related KPMG Regulatory Alert [here](#).)
- **Fees Related to Custody and Safekeeping.** OCC would impose a special assessment on any entity subject to semiannual assessments—including all PPSIs—for which 50 percent or more of their interest and non-interest income is derived from custodial or safekeeping activities under the GENIUS Act. The new assessment would be comprised of minimum fee (not specified in the proposal),

an additional marginal rate for entities with more than \$1 billion in assets related to their GENIUS Act custodial activities, and a potential surcharge for issuers in need of rehabilitation.

Federal Deposit Insurance Corporation. Additional provisions unique to the FDIC’s proposal include provisions to address:

- **Deposit Insurance.** Clarifying that deposits held as reserves for a payment stablecoin would be insured as corporate deposits of the PPSI but would not be insured on a pass-through basis to the payment stablecoin holder (customer). Further, the proposal would clarify that tokenized deposits are deemed deposits for purposes of deposit insurance.
- **Prohibitions.** Adding a prohibition against providing credit to a customer to purchase payment stablecoins.

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Appendix

The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act or the Act) was signed into law on July 18, 2025. The law will go into effect on the earlier of January 18, 2027, or 120 days after the primary Federal Payment Stablecoin Regulators (defined to include FDIC, FRB, NCUA, OCC) issue final implementing regulations. The law establishes a regulatory framework for “payment stablecoins” – generally defined as digital assets redeemable at a fixed monetary value and used for payments or settlement.

Among the provisions, the Act sets forth:

1. Permitted Payment Stablecoin Issuers
2. Requirements for Issuing Payment Stablecoins
3. Capital, Liquidity and Risk Management Requirements
4. Bank Secrecy Act and Sanctions Laws
5. Other Provisions

Permitted Payment Stablecoin Issuer. There are three categories of “permitted payment stablecoin issuers:”

- *Subsidiaries of insured depository institutions (IDIs)*, subject to approval by the relevant “federal payment stablecoin regulator” (the primary federal regulator of the IDI).
- *“Federal qualified payment stablecoin issuers,”* defined to include nonbank entities (other than a state qualified payment stablecoin issuer), OCC-chartered uninsured national banks, and federal branches that have been approved by the OCC.
- *“State qualified payment stablecoin issuers,”* defined to include entities that are established under state laws and approved to issue payment stablecoins by a “state payment stablecoin regulator” and are not an uninsured national bank chartered by the OCC, a federal branch, an insured depository institution, or a subsidiary of such national bank, federal branch, or insured depository institution.

Federal payment stablecoin regulators. In coordination with one another, federal payment stablecoin regulators are required to issue regulations to establish a payment stablecoin regulatory framework within one year of enactment.

State payment stablecoin regulators. State payment stablecoin regulators are permitted to issue orders and rules to same extent as the primary federal payment stablecoin regulators.

State qualified payment stablecoin issuers with a consolidated total outstanding issuance of not more than \$10 billion would be allowed to opt for state-level regulation, provided the state-level regime is “substantially similar” to the federal regulatory framework. However, state qualified payment stablecoin issuers with a consolidated total outstanding issuance of more than \$10 billion would be required to transition to the Federal regulatory framework (to be administered jointly by the state and federal regulators); those that are state chartered depository institutions would be subject to oversight by the primary federal payment stablecoin regulator of the state chartered depository institution, while all other state qualified payment stablecoin issuers would be subject to oversight by the state and the OCC.