KPMG

Regulatory Alert

Regulatory Insights

August 2026

GENIUS Act: Treasury Proposal for Issuance, Offer, and Sale of Payment Stablecoins

KPMG Regulatory Insights:

- ***Continuing Focus:*** *Continues the steady roll-out of rule proposals to implement the GENIUS Act in advance of the January 18, 2027, effective date. Currently, there is no clear release date for final regulations by the federal payment stablecoin regulators potentially resulting in compressed timelines for payment stablecoin issuers and other market participants to prepare for compliance.*

- ***Scope:*** *Provides "fundamental architecture" for payment stablecoins including defined terms and restrictions applicable to the issuance, offer, and sale of payment stablecoins; clarifies extraterritorial reach.*

- ***Mutually Exclusive:*** *Defines payment stablecoin issuers and digital asset service providers, indicating that the rules for both may not be mutually exclusive.*

- ***Rolling Changes Ahead:*** *Provisions regarding digital asset service providers would come into effect in July 2028, indicating continued change past the effective date of the GENIUS Act.*

The Department of the Treasury (Treasury) issued a proposed rule to implement Section 3 of the GENIUS Act, which governs who may issue, offer, sell or otherwise make available payment stablecoins in the United States, including activities involving permitted payment stablecoin issuers (PPSIs) and foreign payment stablecoin issuers (FPSIs) as defined in the GENIUS Act. The proposed rule builds on Treasury's Advance Notice of Proposed Rulemaking (ANPRM) issued in September 2025 and a related Request for Comment issued in August 2025, which sought public input on a range of issues related to implementation of the GENIUS Act.

The proposed rule covers:

- Scope and Applicability.
- Defined Terms.
- Payment Stablecoin Issuance.
- Payment Stablecoin Offer and Sale.
- Exemptions and Safe Harbors.
- Interpretations.

Comments on the proposed rule must be received on or before October 19, 2026.

The GENIUS Act goes into effect on the earlier of January 18, 2027, or 120 days after the primary federal payment stablecoin regulators (FDIC, FRB, NCUA, OCC) issue any 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).

Scope and Applicability. The proposed rule is applicable to the issuance, offer, sale, and other means of making payment stablecoins available in the United States and includes certain prohibitions and limitations. It would also apply to conduct occurring outside the United States when it involves the offer or sale of a payment stablecoin to persons located in the United States. PPSIs would be permitted to issue payment stablecoins in the United States, as would FPSIs meeting certain criteria.

A payment stablecoin issuer may also qualify as a digital asset service provider (as defined), and rules for issuers and digital asset service providers may both apply to the same entity. Digital asset service providers would be subject to restrictions on offering or selling payment stablecoins to persons located in the United States and on offering, selling, or otherwise making certain foreign-issued payment stablecoins available in the United States.

Defined Terms. A number of terms would be cross-referenced directly to the GENIUS Act, while others, including those below, would be defined for purposes of Section 3 of the GENIUS Act:

- **Digital asset service provider:** Would be defined to reference the GENIUS Act with clarification that a digital asset service provider is "a person that, for compensation or profit, engages in the business in the United States of issuing payment stablecoins."
- **Issue:** Would be defined to mean an issuer's first direct or indirect transfer of a payment stablecoin, including by crediting an account, that results or will result, in another person having the right to use or transfer it or have it converted, redeemed, or repurchased. A payment stablecoin reacquired by its issuer would be treated as newly issued upon its first subsequent transfer that otherwise meets the definition of "issue."
- **Issuer:** Would mean a person who is i) obligated to convert, redeem, or repurchase the payment stablecoin for a fixed amount of monetary value, and ii) represents that the person will maintain, or creates the reasonable expectation that the person will maintain, a stable value relative to the value of a fixed amount of monetary value.
- **Located in the United States:** Would be defined differently for an individual and a business entity. An individual would be "located in the United States" when physically present in the United States, excluding a non-U.S. resident whose presence is merely temporary. A business entity would be "located in the United States" if it is organized or incorporated under U.S. federal or state law or has its principal place of business in the United States.
- **Offer:** Would be defined to mean the definition of "offer" in the GENIUS Act with the clarification that the term would include making an as-yet-unissued payment stablecoin available for purchase, sale, or exchange, including presales.

Payment Stablecoin Issuance. Issuance of a payment stablecoin in the United States (either by an issuer located in the United States or to a person located in the United States) would generally be restricted to PPSIs, or to FPSIs that meet the criteria set out in the GENIUS Act. Exemptions and safe harbors to this restriction may apply (see below).

An issuer would be deemed *not* to issue a payment stablecoin in the United States, notwithstanding any other provision, if the issuer meets all of these criteria:

- Is not located in the United States.
- Reasonably believes that those it issues the payment stablecoin to are not located in the United States.
- Has implemented policies, procedures and controls reasonably designed to avoid issuing the stablecoin to anyone located in the United States.
- Does not engage in advertising or solicitation that targets, or could be reasonably expected to target, anyone located in the United States.

Examples

Examples of activities by persons that would constitute violations of the proposed limitations on payment stablecoin issuance, include but are not limited to:

- *Incurring an obligation to a third party to convert, redeem, or repurchase a payment stablecoin, including a secondary obligation on behalf of the issuer.*
- *Coordinating with the issuer for key steps in the issuance such as soliciting customers or minting.*
- *Acting as a market maker for newly issued payment stablecoins, distributing the newly issued payment stablecoins to purchasers of newly issued payment stablecoins, or otherwise making the newly issued payment stablecoin available for secondary market trading.*

Payment Stablecoin Offer and Sale. Beginning July 18, 2028, digital asset service providers would be generally prohibited from offering or selling a payment stablecoin to a person located in the United States unless the payment stablecoin was issued by a PPSI, or by a FPSI that meets the criteria set out in the GENIUS Act. Exemptions and safe harbors to this prohibition may apply (see below).

Digital asset service providers would further be prohibited to offer, sell or make available in the United States a stablecoin issued by a foreign issuer, unless that issuer has the technological capability to comply, and will comply, with lawful orders and applicable reciprocal arrangements. The rule would clarify that digital asset service providers may rely on the foreign issuer's representations provided the digital asset service provider:

- Conducts reasonable due diligence with regard to the representations, which may vary depending on the facts and circumstances, however, Treasury states that in all cases reasonable due diligence should include confirming no prohibition on secondary trading is in effect, and

— Based on such due diligence or other information, does not know or should know that the representations are false or that the issuer cannot or will not comply.

Examples

Examples of "offers" or "sales" of payment stablecoins to persons in the United States include:

— *Direct solicitation of a person in the U.S. to purchase the stablecoin.*

— *Advertising the stablecoin as available for purchase in the U.S.*

— *Responding to an unsolicited inquiry from a person in the U.S. by indicating willingness to sell the stablecoin.*

— *Advising prospective buyers on how to evade location-detection or restriction mechanisms.*

— *Entering into a contract to sell a stablecoin to a person located in the U.S. regardless of the form of consideration or timing of delivery.*

A digital asset service provider would be deemed *not* to issue a payment stablecoin in the United States, notwithstanding any other provision, if it meets the similar criteria laid out for issuers. In particular, if the digital asset service provider:

— Reasonably believes that the person to whom the payment stablecoin is offered, sold, or otherwise made available is not located in the United States.

— Has adopted and implemented policies, procedures, and controls reasonably designed to avoid offering, selling, or making available the payment stablecoin to any person located in the United States.

— Does not engage in advertising or solicitation activities that target or could be reasonably expected to have the effect of targeting, any person located in the United States.

Exemptions and Safe Harbors. The proposal provides exemptions and safe harbors to the payment stablecoin issuance, offer and sale provisions in the rule, including for:

— Subsidiaries of insured depository institutions, and applicants to become federal qualified payment stablecoin issuers, that have applications pending to become a PPSI on the effective date of the GENIUS Act (January 18, 2027), where the primary federal payment stablecoin regulator has granted a waiver, and to the extent that waiver covers Section 3 of the GENIUS Act. The waiver would be available for a period that does not exceed 12 months beginning on the effective date.

— Instances where the Treasury determines that unusual and exigent circumstances exist or apply to a de minimis volume of transactions, as defined in the GENIUS Act.

— The direct transfer of digital assets between two individuals acting on their own behalf, for lawful purposes and without involvement of an intermediary.

— Any transaction between an account belonging to an individual in the U.S. and an account owned by that individual abroad that are offered by the same parent company.

— Any transaction using a software or hardware wallet that facilitates an individual's own custody of digital assets.

Interpretations (Appendix A). The proposal includes an appendix where four potential cases are examined and interpretations are provided:

— A U.S. resident is issued a stablecoin, by an issuer that is incorporated in and has a principal place of business in a foreign country, while vacationing there and the issuer does not meet the GENIUS Act criteria for FPSIs.

— An issuer has a marketing strategy to mint and airdrop (e.g., transferring crypto assets to specific cryptographic wallets or other addresses) a payment stablecoin to a U.S. resident who is physically present in the U.S. and the U.S. resident has or will have the right to transfer, use, or redeem the payment stablecoin.

— A digital asset service provider operates an exchange that coordinates with an issuer to list a new stablecoin on the digital asset service provider's exchange for purchase by persons located in the U.S.

— An issuer mints and transfers a digital asset to a person located in the U.S.; the issuer designs the digital asset to be used as a means of payment or settlement, represents that it will be maintained at a stable value relative to the value of a fixed amount of monetary value, but provides that the asset is not redeemable until a future date.

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