

Comment Intake

U.S. Department of the Treasury
Attention: Office of General Counsel
1500 Pennsylvania Avenue NW
Washington, DC 20220
Submitted via [regulations.gov](https://www.regulations.gov)

Re: GENIUS Act Implementation, 12 CFR Chapter XV, 31 CFR Subtitles A and B
(Docket No. TREAS-DO-2025-0037, RIN 1505-ZA10)

Consumer Reports¹ appreciates the opportunity to comment on The Department of the Treasury's advance notice of proposed rulemaking on questions related to the implementation of the GENIUS Act. The work being undertaken by Treasury, in coordination with the Federal Reserve Board, the Federal Deposit Insurance Corporation, and other federal financial regulators, is of paramount importance to ensuring consumer financial safety, maintaining fair and resilient markets, and guarding against emerging systemic risks.

We recognize the opportunity stablecoins present to modernizing the payments system, enhancing financial inclusion, and promoting broader innovation in the financial and payments ecosystem. These are meaningful advances that deserve thoughtful consideration, particularly as stablecoins offer the potential to introduce competitive pressure on legacy payment rails and drive modernization across the financial sector. The rapid growth of stablecoins highlights their appeal, but as their trajectory seemingly propels them toward becoming integral to the plumbing of the payments system, effectively functioning as core payment utilities, their regulation must evolve to meet their increasing significance and attendant risks.

Executive Summary and Recommendations

Safeguarding Stability and Consumer Trust

Treasury should ensure that reserve, liquidity, and redemption standards under the GENIUS Act are clear, enforceable, and resilient under stress. Transparent disclosures and strong capital and liquidity rules are essential to prevent digital "bank-run" dynamics and maintain confidence in stablecoin-based payments.

Drawing Clear Boundaries Between Payments and Investments

Regulators must prevent stablecoin issuers from offering "rewards" or other yield-like features that mimic deposits without protections. These products introduce systemic risk. At the same

¹ Founded in 1936, Consumer Reports (CR) is an independent, nonprofit and nonpartisan organization that works with consumers to create a fair and just marketplace. Known for its rigorous testing and ratings of products, CR also advocates for laws and corporate practices that are beneficial for consumers. CR is dedicated to amplifying the voices of consumers to promote safety, digital rights, financial fairness, and sustainability. The organization surveys millions of Americans every year, reports extensively on the challenges and opportunities facing today's consumers, and provides ad-free content and tools to 6 million members across the United States.

time, Treasury should preserve space for user-directed innovation, for example, active participation in decentralized systems, while keeping passive yield out of the payment space.

Ensuring Truthful Marketing and Unified Oversight

Consumer protection depends on consistent, non-deceptive communications. Treasury should explore aligning with FTC standards to prohibit misleading terms or government-like imagery and require standardized, plain-language disclosures on redemption and reserve backing. A strong federal floor of protections should apply across both state and federal regimes to avoid regulatory arbitrage.

Modernizing Compliance and Identity Safeguards

The GENIUS framework should leverage technology, such as privacy-preserving digital identity and zero-knowledge proofs, to strengthen AML, sanctions, and due diligence without eroding consumer privacy. Treasury should coordinate internationally to promote interoperable, secure, and privacy-centric verification systems.

Measuring Success by Consumer Outcomes

Implementation should be evaluated through measurable improvements in consumer safety, transparency, and trust, reducing fraud, redemption failures, and confusion, while fostering stable, responsible innovation in digital payments.

In the sections below, we provide responses to selected questions from Treasury's advance notice of proposed rulemaking. Our comments focus on areas most relevant to consumer protection, market integrity, and the effective implementation of the GENIUS Act.

10. Are any regulations or guidance necessary to clarify the scope of the reserve requirements in Section 4(a) or the requirement to publish the composition of the reserves?

While GENIUS proactively attempts to address reserve risks through its reserve requirements in Section 4(a), we remain concerned about redemption risk. As noted by Nellie Liang² allowing uninsured deposits in banks and shares of credit unions as permissible reserve assets could impair an issuer's ability to honor redemptions promptly, creating the potential for runs. We share this view and also note support from recent academic research by Ma et al. (2023)³, which demonstrates that USD-backed stablecoins can experience economically significant run risk when asset illiquidity interacts with fixed redemption values, even in well-structured markets with arbitrage mechanisms. Together, these perspectives reinforce the importance of carefully defined reserve requirements, transparent disclosures, and supporting risk management standards to help ensure stablecoins can meet redemptions under stress and maintain stability in broader financial markets.

² Liang, N. (2025, October 21). *Stablecoins: Issues for regulators as they implement GENIUS Act*. Brookings Institution. <https://www.brookings.edu/articles/stablecoins-issues-for-regulators-as-they-implement-genius-act/>.

³ Ma, Yiming and Zeng, Yao and Zhang, Anthony Lee, *Stablecoin Runs and the Centralization of Arbitrage* (March 22, 2023). Available at SSRN: <https://ssrn.com/abstract=4398546> or <http://dx.doi.org/10.2139/ssrn.4398546>

Consistent with Liang’s recommendations, we believe that regulators should require stronger capital, liquidity, and diversification standards for stablecoin issuers holding uninsured deposits, given their greater vulnerability to redemption stress. As she notes, the GENIUS Act already provides authority to tailor such requirements to an issuer’s risk profile, helping ensure stablecoins remain fully redeemable, resilient, and trusted as payment instruments.

14. Should any regulations be issued to clarify the meaning of “pay,” “interest,” “yield,” “solely,” or otherwise clarify the scope of Section 4(a)(11)? In particular, should any regulations be issued to clarify whether, and to what extent, any indirect payments are prohibited?

Currently, several major stablecoin issuers offer “rewards” for holding their stablecoins that, for all practical consumer purposes, function effectively as interest or yield in contravention of the GENIUS Act’s requirements.

Consumers continue to face inflationary pressures while generally being offered extremely low interest rates by the nation’s largest banks on their savings accounts. As of November 2025 the average national savings rate offered is 0.4%⁴, providing minimal real returns for consumers and underscoring the limitations of traditional deposit products. To be clear, the low returns offered by traditional banks are a shortcoming of the traditional financial system. While we recognize that many in the crypto community have sought to increase competition and provide consumers with higher returns through stablecoin “rewards,” offering such rewards makes these products too risky from a systemic perspective. Even though the intent is to help consumers, they mimic deposit-like yields without the protections of regulated banking. Moreover, GENIUS Act restrictions on reserve rehypothecation limit one risk channel but do not eliminate the deposit-like risks inherent in these products.

Ultimately, these rewards create deposit flight risk and the attendant possibility of credit tightening, as rapid outflows constrain banks’ lending capacity, highlighting a structural tension: while they provide consumer-friendly returns that address shortcomings in traditional banking, they simultaneously introduce consumer- and system-level risks. Additionally, as agentic AI becomes more ingrained and potentially authorized to allocate funds toward higher-yielding instruments for consumers, the potential for rapid, technology-driven outflows, and a re-creation of traditional bank-run dynamics, grows. Policy frameworks must therefore address both the underlying inadequacy of returns in the banking system and the new risks posed by innovative technologies, while ensuring regulatory safeguards that protect consumers and maintain confidence across crypto and conventional finance.

This creates a significant risk that consumers may chase higher yields by moving their deposits from FDIC insured accounts to stablecoin holdings with no such protections.

⁴ Federal Deposit Insurance Corporation, National Rate: Savings [SNDR], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SNDR>, November 4, 2025.

To reiterate, while Consumer Reports appreciates the need for healthy competition in the marketplace for consumers seeking competitive rates on financial products, we maintain, as Congress did as well in writing the GENIUS Act, that payment instruments should carry different risk and reward profiles than investment or savings instruments. The GENIUS Act specifically defines stablecoins as payment instruments, not deposit instruments and took proactive measures grounded in sound reasoning to bar payment stablecoin issuers from offering interest or yield on their payment stablecoins. Regulators should now take care to make sure that issuers do not exploit marketing tactics or turns of phrase to circumvent the clear spirit of the law on this issue. Ultimately, the implementation of GENIUS must prevent the passive accrual of yield or interest on stablecoins.

While regulators must guard against the use of “rewards” to disguise interest-bearing accounts, it is equally important to distinguish between passive returns and yields earned through user-directed participation in decentralized financial systems.

To preserve innovation and user choice, regulators could clarify that section 4(a)(11) does not prohibit stablecoin holders from earning returns through active participation in DeFi protocols or governance-related activities. While stablecoins are not typically staked in the technical sense used in proof-of-stake networks, users may choose to allocate their stablecoins in ways that involve some degree of economic risk, like providing liquidity or engaging in protocol-based lending. These activities differ materially from passive holding that generates fixed or “guaranteed” returns and should be treated as such. Preserving this distinction supports responsible innovation in crypto markets while maintaining appropriate consumer protections. Ultimately, the goal is not to eliminate innovation, but to uphold the provisions that Congress put in GENIUS.

15. Are any regulations or guidance necessary to clarify the scope or application of these provisions, including whether other terms used by PPSIs may be deceptive?

To clarify the scope and application of these provisions, regulators should consider adopting the well-established Federal Trade Commission’s standard for deceptive practices⁵. Under that framework, a term or representation is deceptive if it misleads or is likely to mislead a reasonable consumer, and the representation is material. Doing so would provide the additional benefit of regulatory alignment and clarity.

More specifically, issuers should be explicitly prohibited from using government seals or insignias in their marketing materials, and should be strongly discouraged from employing graphic designs or user interfaces that mimic the appearance of official government websites and US currency. These practices create a false sense of safety and regulatory endorsement that misleads consumers, particularly in a space where many may be unfamiliar with the distinctions between financial products and the instruments that underlie them.

⁵ 15 U.S.C. § 45

To further support clarity and compliance, regulators should consider publishing examples of “red flag” language or visual design elements that are likely to be considered deceptive. They should also explore the creation of a non-exhaustive safe harbor list of approved, non-deceptive terms that issuers may use to market or otherwise describe their issued stablecoin.

19. How is a determination that a state-level regime is “substantially similar” to the federal regulatory framework, as described in Sections 4(c)(1) and (2) of the GENIUS Act, similar to or different from a determination that a state-level regime “meets or exceeds the standards and requirements” for issuing payment stablecoins, as described in Section 4(c)(5)?

The textual interpretation of “meets or exceeds” is relatively clear: a state-level regime meets or exceeds the standards for issuing payment stablecoins when it provides the same or stronger protections as the federal framework. By contrast, “substantially similar” is more open to interpretation. We urge the Treasury Department to clarify that for a state regime to qualify as “substantially similar,” it must offer the same *level* of consumer protection, even if it allows some flexibility in how individual components are implemented.

As Professor Arthur Wilmarth has discussed, “the GENIUS Act would not place any limitation on the number of State qualified payment stablecoin issuers that a single person, entity, or group could own or control. Consequently, a single person, entity, or group could own or control multiple State qualified payment stablecoin issuers with unlimited volumes of outstanding stablecoins.”⁶ We highlight his concerns and feel this is an important loophole for Regulators to address to the greatest extent possible.

While the state preemption framework in section 7(f) of the GENIUS Act is statutory, Treasury has a critical role in ensuring it does not result in a deregulatory vacuum. We urge Treasury to recommend a strong federal floor of consumer protections applicable to all payment stablecoin issuers, regardless of chartering jurisdiction. Additionally, Treasury should work with other federal and state regulators to provide interpretive guidance that limits the scope of preemption and preserves essential consumer safeguards.

23. What should Treasury consider when promulgating regulations implementing Section 4(a)(5), including AML and sanctions programs, monitoring and reporting suspicious activity, and customer identification and due diligence? What, if any, unique features of PPSIs should Treasury consider?

In implementing Section 4(a)(5), Treasury should ensure that AML, sanctions, and customer due diligence frameworks strengthen both financial integrity and consumer protection while accounting for the unique features of payment stablecoin issuers, particularly their reliance on digital identity verification technologies. One of the most evident obstacles to using digital identity verification to detect illicit finance is the fragmentation and regulatory ambiguity across

⁶ “The Looming Threat of Uninsured Nonbank Stablecoins” GW Law School Public Law and Legal Theory Paper No. 2025-33

international, federal, and state frameworks. Fragmentation not only drives up compliance costs for firms which are ultimately passed on to consumers, but also weakens consumer protection by creating exploitable gaps for bad actors. When firms are required to build or purchase bespoke solutions to satisfy jurisdiction-specific standards, rather than being able to rely on a single, standardized, and interoperable system, the result is inefficiency, increased risk, and reduced scalability. In turn, these erode consumer trust and safety in digital financial services.

Given this context, it would be prudent for Treasury to remain attuned to developments in other jurisdictions, particularly those actively implementing digital identity frameworks. Observing how peer regulators address common challenges can offer valuable insights, helping to avoid duplicative efforts and to right-size the amount of friction in both national and cross-border payment flows. Establishing alignment around core technical standards and consumer-protection principles could help promote greater interoperability, strengthen global market integrity, and reduce compliance burdens. We feel this will ultimately improve outcomes for consumers by ensuring that identity verification systems are both secure and privacy-preserving.

To that end, we recommend that Treasury explore how it might build on its existing international coordination efforts. One such exemplar is the Office of Financial Research's leadership within the Regulatory Oversight Committee and its work with the Legal Entity Identifier (LEI) system. The LEI demonstrates how globally aligned standards can enhance transparency and reduce compliance burdens without compromising national regulatory or security objectives or consumer protections.

Consumer Reports also recommends that Treasury analyze the potential of a compliance-by-design framework, such as that outlined by Duffie, Olowookere, and Veneris⁷ and supported by the International Monetary Fund, to bridge the gap between maintaining user privacy and combating illicit finance in the context of digital identity verification. At the basis of this design, and what many financial institutions in both digital finance and traditional finance continue to explore, is the use of zero-knowledge proofs (ZKPs). ZKPs enable the verification of consumer identities or credentials without revealing underlying personal data, thereby enhancing privacy and reducing the risks of data breaches. This technology could allow regulated institutions to verify identity and comply with Anti-Money Laundering (AML) and Financial Action Task Force (FATF) Travel Rule obligations while minimizing the exposure of consumer data.

We also encourage Treasury to continue engagement with the European Central Bank, which is piloting privacy tiers in its digital euro, and with the Bank for International Settlements, which is testing similar designs for cross-border payments. Treasury could further support innovation by facilitating feasibility and efficiency studies, and, where appropriate, establishing safe harbors or regulatory sandboxes to test compliance-by-design approaches that balance effective identity verification with the protection of consumer privacy and data security.

⁷ Duffie, James Darrell and Olowookere, Odunayo and Veneris, Andreas and Submitter, Stanford GSB, A Note on Privacy and Compliance for Stablecoins (May 05, 2025). Stanford University Graduate School of Business Research Paper Forthcoming, Available at SSRN: <https://ssrn.com/abstract=5242230> or <http://dx.doi.org/10.2139/ssrn.5242230>

Treasury and the broader U.S. financial ecosystem will benefit from leveraging global insights to avoid duplicative efforts and foster more effective, interoperable, and consumer-centered outcomes.

32. As Treasury identifies factors for determining whether a foreign jurisdiction has a regulatory and supervisory regime that is comparable to the requirements established under the GENIUS Act, including standards for issuing payment stablecoins provided in Section 4(a), what specific factors should Treasury consider, including factors that should disqualify a foreign jurisdiction from being determined to be comparable? Are there factors that should be excluded from consideration?

When evaluating whether a foreign jurisdiction's regulatory and supervisory framework is comparable to the GENIUS Act, the Secretary should consider not only whether stablecoin issuance is legally permitted, but also whether the framework ensures that reserves are high-quality, liquid, and prudently managed.

Federal Reserve Governor Michael Barr recently noted⁸ that foreign authorization alone does not guarantee that an asset is appropriate for use as a stablecoin reserve. We find Governor Barr's example of El Salvador's recognition of Bitcoin as legal tender, a designation the country reversed just earlier this year, to be particularly illustrative. Few would disagree that Bitcoin's price volatility, especially when contrasted to that of U.S. Treasuries, makes it unsuitable for maintaining a one-to-one stablecoin peg, potentially creating redemption risk and undermining consumer confidence.

In addition to the requirements for Foreign Stablecoin Issuers prescribed in GENIUS the Secretary should also consider applying comparability determinations that assess the strength and reliability of a jurisdiction's regulatory framework. Such determinations should take into account several key factors. First, the quality and liquidity of reserve assets should be evaluated to ensure that stablecoins are backed by low-risk, liquid, and stable-value instruments. Second, jurisdictions should demonstrate robust redemption and liquidity safeguards that guarantee stablecoin holders can redeem their tokens reliably, even under stressed market conditions. Third, oversight frameworks should include effective measures for systemic risk mitigation to prevent potential disruptions that could threaten financial stability. Finally, jurisdictions should possess sufficient enforcement and supervisory capacity to monitor compliance and protect consumers, ensuring that standards are not only well-designed but credibly implemented.

Jurisdictions permitting highly volatile or inadequately supervised assets as reserves should be deemed non-comparable. The Secretary of the Treasury may also wish to consider the risk that foreign PPSIs could quickly change course, altering their reserve compositions, liquidity practices, or risk management and governance policies. Because such changes could occur rapidly, timely monitoring and responsiveness are critical to ensuring that comparability

⁸<https://www.federalreserve.gov/newsevents/speech/barr20251016a.htm#:~:text=For%20example%2C%20until%20quite%20recently%2C%20El%20Salvador,specifically%20permits%20Bitcoin%20to%20be%20used%20for>

determinations remain accurate and that US regulatory objects are preserved. Focusing on the practical stability and risk characteristics of reserves, rather than legal authorization alone, aligns with the GENIUS Act's purpose: ensuring that payment stablecoins are fully backed, stable, and pose minimal risk to U.S. consumers and the broader financial system.

33. To what extent should Treasury consider a foreign jurisdiction's willingness and ability to enforce the prohibitions in Sections 4(a)(9), 4(e)(2), and 4(e)(3), as related to misrepresentations of U.S. government support or that of the foreign government, as a factor in comparability determinations under Section 18(b)?

In evaluating the comparability of a foreign jurisdiction's regulatory framework, we recommend that the Secretary consider not only whether prohibitions exist against misrepresenting U.S. or foreign government backing of stablecoins, but also the jurisdiction's demonstrated willingness and capacity to enforce those prohibitions. Legal frameworks alone are insufficient if enforcement is weak or inconsistent, as U.S. consumers could be misled about the stability or backing of foreign-issued stablecoins, potentially creating redemption risk and undermining confidence in the payments system. To ensure consistency and transparency, Treasury should consider providing guidance on how it may assess enforcement capacity, including observable metrics or indicators such as prior enforcement actions, reporting requirements, or supervisory mechanisms. Operationalizing this evaluation would work towards holding foreign issuers to the same high standards required of U.S.-based payment stablecoin issuers while also supporting market integrity and injecting additional protections for U.S. consumers.

35. What information should U.S. authorities require from a FPSI registered under Section 18(c), and in what format(s) should such information be made available, to ensure that U.S. customers understand how to demand timely redemption of the instrument?

Consumer Reports recommends that U.S. authorities require foreign payment stablecoin issuers registered under Section 18(c) to provide clear, standardized, and accessible information enabling U.S. customers to understand their redemption rights and processes. At a minimum, this should include step-by-step instructions for redeeming stablecoins for U.S. dollars, including any cut-off times, limits, or required documentation; a summary of the assets held to support the stablecoin, with emphasis on liquidity and stability characteristics relevant to redemption risk; dedicated customer service points and instructions for resolving disputes or delays; and disclosure that the issuer is registered with the OCC, subject to ongoing monitoring, and falls under U.S. jurisdiction for enforcement purposes.

To ensure accessibility and usability, this information should be prominently displayed on the issuer's website and mobile applications, written in plain language, and formatted with readable fonts, headings, and sufficient white space. Machine-readable formats (e.g., standardized APIs

or digital notices) would further support transparency and allow third-party tools to track redemption processes.

These recommendations draw on established precedents from consumer finance regulations. For example, Regulation E (Electronic Fund Transfers) and Regulation DD (Truth in Savings) provide models for disclosing fees, redemption procedures, reserve backing, and other key terms in a way that consumers can readily comprehend. Applying similar standards to foreign stablecoins would help U.S. consumers understand how to redeem stablecoins, evaluate associated risks, and make informed decisions, supporting both consumer protection and market integrity under the GENIUS Act.

40. How should GENIUS Act implementation take into account the types and amounts of insurance coverage that should be purchased by PPSIs or FPSIs?

Consumer Reports defers to specialized regulatory and industry bodies for specifics regarding the appropriate and amounts of insurance coverage for payment stablecoins. However, we recommend that Treasury require clear, standardized, and accessible disclosure to consumers about any such coverage, including limits, conditions, and gaps, so that U.S. customers can understand potential risks and make informed decisions.

47. The GENIUS Act establishes federal safeguards to protect consumers. How should the economic benefits of consumer protection be measured?

Consumer Reports recommends that Treasury assess the economic benefits of the GENIUS Act's consumer protection provisions using metrics that reflect both direct and indirect impacts on U.S. consumers. Direct measures could include any causally-linked reductions in consumer losses from fraud, misrepresentation, or failed redemptions, as well as improvements in the speed and reliability of stablecoin redemption⁹. Indirect benefits could include increased consumer confidence in the stability and backing of payment stablecoins, reduced systemic risk in the broader payments system, and potential reductions in transaction costs including lower fees for cross-border payments and improved settlement speed. Ultimately, we are confident that robust, thoughtful consumer protections can both reduce harms from fraud and misrepresentation and increase these broader economic benefits.

While exact dollar savings may be difficult to quantify, especially if stablecoins begin to function as more of a payment utility as the sector matures, these improvements could enhance consumer welfare and broaden access to lower-cost payment options. Measuring these effects could involve tracking shifts in payment behaviors, transaction volumes, and fees through instruments like the Federal Reserve's Diary of Consumer Payment Choice or other household and business payment surveys. Policymakers should also consider indirect impacts, such as potential disruptions to community banks and smaller payment processors, to ensure that consumer benefits are realized without compromising financial inclusion.

⁹According to Chainalysis's recent report, as stablecoin adoption has grown so too has its use as an illicit transaction vehicle <https://www.chainalysis.com/blog/2025-crypto-crime-report-introduction/>



Treasury may look to analogous metrics in consumer finance, such as outcomes under Regulation E and Regulation DD, or survey-based measures of trust in banking products, to quantify these effects. Evaluating consumer protection in this way ensures that regulatory safeguards are linked to tangible improvements for consumers, while also supporting market integrity and financial stability.

Respectfully Submitted,

Lacey Aaker
Policy Analyst