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November 4, 2025

BY ELECTRONIC SUBMISSION

The Honorable Scott Bessent
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Re: Response to Treasury Advance Notice of Proposed Rulemaking; GENIUS Act Implementation Comments (TREAS-DO-2025-0037-0001)

Dear Secretary Bessent,

Andreessen Horowitz ("a16z") appreciates the opportunity to respond to the questions in the U.S. Department of the Treasury ("Treasury") advance notice of proposed rulemaking (the "ANPRM") published on September 19, 2025,[1] regarding implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the "GENIUS Act," "GENIUS," or the "Act").[2] We appreciate Treasury's commitment to fulfilling the requirements of the GENIUS Act, encouraging innovation in payment stablecoins while also providing an appropriately tailored regime to protect consumers, mitigate potential illicit finance risks, and address financial stability risks.

I. About a16z

A16z is a venture capital firm that invests in seed, venture, and late-stage technology companies, focused on bio and healthcare, consumer, crypto, enterprise, fintech, and games. A16z currently has more than $74 billion in assets under management across multiple funds, with more than $7.6 billion in committed capital for crypto funds. In crypto, we primarily invest in companies using blockchain technology to develop protocols that people will be able to build upon to launch Internet businesses. Our funds typically have a 10-year time horizon, as we take a long-term view of our investments, and we do not speculate in short-term crypto-asset price fluctuations.

II. Executive Summary

The GENIUS Act is a momentous step in advancing the future of digital finance and integrating blockchain systems into traditional markets. We believe that the Act will foster responsible innovation and be an important step in unlocking the benefits of blockchain technology. We agree with Treasury that it will strengthen the U.S. dollar's reserve currency status and bolster U.S. national security while prioritizing consumer protection.

[1] GENIUS Act Implementation, 90 Fed. Reg. 45159 (Sept. 19, 2025).
[2] GENIUS Act, Pub. L. No. 119–27, 139 Stat. 419 (2025) (codified at 12 U.S.C. §§ 5901-16).

At the same time, clarity from regulators regarding what entities are covered, the requirements applicable to them, and the consequences of non-compliance are essential to GENIUS delivering on its promise. In this regard, we are concerned that the ANPRM may inadvertently create confusion by asking for comments on topics that appear to be the provenance of other regulators, such as the primary Federal payment stablecoin regulators.[3] With respect to those areas, some of which we flag in specific comments below, there appears to be potential for overlap and inconsistencies. It would be helpful to understand how Treasury envisions the ANPRM process linking to the rulemakings that other regulators are required to undertake.

With these fundamental considerations in mind, we have focused our comments, observations, and suggestions as follows:

- In Section III, we discuss the importance of clarifying core concepts under the GENIUS Act and respond to Questions 1, 3, 4, 8, 9, 10, 12, and 20.
- In Section IV, we discuss competition and a level playing field among payment stablecoin issuers and respond to Questions 14, 18, 19, 30, 32, and 46.
- In Section V, we discuss combatting illicit finance and respond to Questions 23, 24, and 25.
- In Section VI, we discuss key tax and accounting considerations and respond to questions 6, 37, and 38.
- In Section VII, we discuss other critical considerations and respond to Questions 51, 52, and 53.

III. Clarifying Core Concepts

The ANPRM requests comments on numerous terms defined in the GENIUS Act. Clarifying the concepts discussed below is essential not only for entities directly regulated by GENIUS, but also for users of payment stablecoins, technology investors, and innovators developing the core technology functions that facilitate decentralized blockchain systems. Clarity for these terms is critical in that it will determine the scope of important regulatory categories, establish the Act's covered activities, and set consequences for non-compliance.

- **"Person," "Payment Stablecoin," and Non-"Payment Stablecoins" (Questions 1 and 3)**

At the outset, it is critical to recognize that not all stablecoins used for payment are "payment stablecoins" subject to GENIUS. The Act itself recognizes the variety and potential complexities of non-"payment stablecoins," specifically calling on Treasury to conduct a study

[3] *See, e.g.*, Section 5(g) (12 U.S.C. § 5904(g)) (authorizing primary Federal payment stablecoin regulators to issue rules necessary for the regulation of the issuance of payment stablecoins not in addition to the requirements specified under Section 4 (12 U.S.C. § 5903)); Section 4(a)(4) (12 U.S.C. § 5903(a)(4)) (capital, liquidity, reserve asset, and risk management requirements); Section 10(c)(2)(C) (12 U.S.C. § 5909(c)(2)(C)) (commingling of payment stablecoin reserves).

of non-payment stablecoins, in consultation with the federal banking agencies and market regulators, and provide a report to the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Services.[4] It would be contrary to clear Congressional intent in requiring such a study for regulators to group non-payment stablecoins alongside payment stablecoins for purposes of the regulatory framework established by GENIUS.

"Payment stablecoins"—stablecoins that are fiat-backed and issued by a centralized stablecoin issuer that holds fiat-based reserve assets to maintain the value of the coins against the pegged asset—are the primary focus of the regulatory framework established by GENIUS. Decentralized stablecoins are an important and popular type of stablecoin that do not fit within the "payment stablecoin" categorization. Decentralized stablecoins are generally backed by digital assets, like ETH (the network token of the Ethereum blockchain) and SOL (the network token of the Solana blockchain), and issued autonomously by decentralized smart contract protocols that utilize mathematical algorithms and other mechanisms to maintain the collateral and the stability of the stablecoin.

The technical underpinnings of decentralized stablecoins mean that they are not issued by any "person" and are entirely disintermediated, providing users with significant benefits. First, because decentralized stablecoins typically rely on collateral that exists natively on a blockchain, they are generally free from offchain risks, such as those that arise from custodying assets with third parties, like banks.[5] Second, decentralization has the innate benefit of preventing centralized parties from controlling or manipulating the parameters governing these stablecoins, which can increase trust and eliminate risks inherent to the existence of controlling parties.

The Act's threshold definitions and core prohibitions, including both the definitions of "person" and "payment stablecoin," exclude decentralized stablecoins from its scope. Any proposed rulemaking should consistently and clearly reinforce this exclusion.

"Person." Section 3(a) of the Act prohibits "any person" other than a permitted payment stablecoin issuer ("PPSI") from issuing a payment stablecoin in the United States.[6] A "person" is defined under Section 2(24) as "an individual, partnership, company, corporation, association, trust, estate, cooperative organization, or other business entity, incorporated or unincorporated."[7] No individual, organized group, or other entity that resembles those in Section 2(24) controls the process of issuing a decentralized stablecoin; rather, decentralized stablecoins are issued through the automatic and programmatic operations of smart contracts that are not controlled by any person.[8] Nor are there "persons" that give rise to the types of offchain counterparty risks that exist with other stablecoins, such as those that arise from control over reserve assets. Even

[4] Pub. L. No. 119–27, § 14, 139 Stat. 460.
[5] The effect of third-party counterparty risk was evident in the collapse of Silicon Valley Bank, which temporarily caused USDC to de-peg from the U.S. dollar. *See* Chainalysis Team, *Here's What On-Chain Data Tells Us About Crypto's Reaction to the Demise of Silicon Valley Bank And Its Impact on USDC*, Chainalysis Blog (Mar. 16, 2023), https://www.chainalysis.com/blog/crypto-market-usdc-silicon-valley-bank/.
[6] 12 U.S.C. § 5902(a).
[7] 12 U.S.C. § 5901(24).
[8] Moreover, the term "issue" in Section 3 is not defined in the Act, which provides Treasury a further opportunity to scope out decentralized stablecoins by interpreting the term to imply that there must be someone who personally issues the digital asset.

where humans do participate to some extent in governance of a protocol, outcomes relating to the stablecoin are not determined through a centralized decision-making process like those present in the traditional business entities described in Section 2(24). Protocol governance is generally limited to discrete issues like collateral types and liquidation ratios, rather than issuance of the tokens or control over their supply or underlying collateral. Accordingly, Treasury should make clear that since decentralized stablecoins are not issued by a "person" within the meaning of the Act, they are not covered by the prohibition in Section 3(a).

"Payment stablecoin." Section 2(22) defines "payment stablecoin" as a digital asset "(i) that is, or is designed to be, used as a means of payment or settlement; and (ii) the issuer of which—(I) is obligated to convert, redeem, or repurchase for a fixed amount of monetary value, not including a digital asset denominated in a fixed amount of monetary value; and (II) represents that such issuer will maintain, or create the reasonable expectation that it will maintain, a stable value relative to the value of a fixed amount of monetary value…"[9] As noted above, decentralized stablecoins do not have an "issuer"—no "person" controls the issuance of such stablecoins, rather they are issued by autonomous software that is not controlled by anyone. In addition, the definition of "payment stablecoin" pertains to a digital asset "the issuer of which" has certain redemption obligations and makes certain representations regarding stable value, but because decentralized stablecoins do not have issuers, there is no "person" with redemption obligations or who could make such representations in the first place. Rather, users tend to redeem collateral through user-initiated and controlled interactions with autonomous software and any representations about the stability of the asset are solely dependent on the functioning of code. This autonomous functioning is made possible due to the use of onchain assets as collateral, which means collateral can be stored and redeemed without intermediaries. For the foregoing reasons, decentralized stablecoins do not fall within the definition of "payment stablecoin."

LUSD is an example of a decentralized stablecoin that should not be categorized as a "payment stablecoin."[10] LUSD is issued by the autonomously functioning Liquity smart contract protocol, where no person or entity controls the issuance of the stablecoin. Users that want to generate LUSD can deposit ETH into the Liquity Protocol non-custodial smart contracts as collateral and receive LUSD in return. The deposited assets must exceed the value of LUSD that is issued. The smart contracts hold the collateral in escrow until the user returns the borrowed LUSD—each user has complete control over when to withdraw their deposited collateral unless the value of the collateral falls below a required minimum, at which point it is liquidated through an automated mechanism. The entire system functions transparently in accordance with its rules—any market participant can clearly assess the benefits and risks of the system, without fear of mismanagement or the rules being changed. The absence of centralized parties that would otherwise give rise to third-party risks, as well as its overcollateralization requirements and liquidation ratio, makes LUSD a low-risk decentralized stablecoin, which is reflected in its historically stable price.

Given the scope of the "person" and "payment stablecoin" definitions, decentralized stablecoins do not fall within the GENIUS framework. However, simply because GENIUS

[9] 12 U.S.C. § 5901(22).
[10] *See* Liquity, https://www.liquity.org/.

covers "payment stablecoins" but not decentralized stablecoins should not discourage regulated entities from interacting with them, and, as noted above, genuinely decentralized stablecoins mitigate many of the risks that GENIUS seeks to address. In the implementation stage of GENIUS, Treasury should therefore confirm not only that decentralized stablecoins fall outside of the Act, but also that there is no prohibition against regulated entities interacting with them under GENIUS.

To provide clarity regarding what stablecoins fall outside of the "payment stablecoins" category, it will be critical that Treasury clarifies what constitutes a decentralized stablecoin. A key factor for determining whether a stablecoin is "decentralized" is whether there is a person or group of persons acting in concert who can exercise control over its smart contracts, issuance mechanisms, collateral, or other features that could have a material effect on the stablecoin's value. The absence of control over each of these features mitigates certain risks that GENIUS aims to address. For example, when no person has unilateral control over a stablecoin's smart contracts, users are not exposed to risks stemming from the manual performance of operations, the potential for unintended changes to the stablecoin systems, or other similar risks. In contrast, if a person has control over smart contracts that "issue" a stablecoin, then that person does "issue" the stablecoins, which means that the Act may apply. Likewise, if a person controls collateral, then users risk having collateral stolen or otherwise mismanaged or misused. For example, many strategy-backed synthetic dollars, or stablecoins where individuals often actively manage and control the collateral to generate a return for stablecoin issuers, are not "decentralized" given the presence of unilateral control.

Importantly, Treasury should take a holistic view in determining whether control is present. A smart contract can be programmed to autonomously issue stablecoins, but that does not necessarily make the stablecoin decentralized, as it can also enable persons to control critical components of the stablecoin, such as its liquidation mechanism or collateral. In sum, stablecoins that are not controlled have no "issuer" and do not exhibit many of the risks that GENIUS seeks to address and, therefore, should not be subject to the prohibition in Section 3(a) of the Act.

Treasury could look to the control-based decentralization framework set forth in the Digital Asset Market Clarity Act of 2025 (the "CLARITY Act" or "CLARITY"), which provides a solution for determining what, in practice, constitutes a "decentralized stablecoin." CLARITY leverages a control-based decentralization framework to provide carve outs for "decentralized finance messaging systems" and "decentralized finance trading protocols" that do not involve intermediaries in a position to exert unilateral control or cause user harm. For example, the definition of "decentralized finance messaging systems" excludes systems that provide any person other than the user with control over the funds of the user, or the execution of a transaction of the user.[11] CLARITY's practical and reliable framework can also be used for determining if control has been eliminated with respect to stablecoins, which, in turn, helps determine whether a stablecoin is, in fact, "decentralized," and therefore not subject to the prohibition in Section 3(a) of the Act.

[11] CLARITY Act, H.R. 3633, 119th Cong. (2025), at § 103(D); *see also* §§ 309, 409.

Lastly, Treasury could, as part of its study on non-payment stablecoins, work with the SEC and CFTC, to establish a taxonomy and framework for classifying stablecoins that are not classified as "payment stablecoins" from a regulatory perspective, e.g., to determine when such stablecoins function more like securities, derivatives, or commodities.[12] Clarity regarding what alternative regulatory frameworks beyond GENIUS, if any, apply to such stablecoins could provide additional confidence to regulated entities that seek to interact with them.

* * *

In addition to confirming the Act's inapplicability to decentralized stablecoin projects, Treasury should address critical ambiguities in the definition of "payment stablecoin" that warrant clarification. A payment stablecoin is described as a digital asset that, among other elements, "is, or is designed to be, used as a means of payment or settlement."[13] This element potentially invites arbitrary and subjective interpretation that could chill experimentation and innovation with digital assets. For example, it is unclear whether being "designed" for a use is based on the subjective intent of the creator of the digital asset or the asset's objective design characteristics (e.g., technical capabilities). Moreover, the definition does not specify what level or manner of use is required to establish that a digital asset "is used as a means of payment or settlement" (e.g., is one such transaction sufficient, or must it be the primary use of the stablecoin among users as whole?). Conversely, this criterion leaves open the possibility that sufficiently many stablecoin holders might begin to use a stablecoin for another purpose (e.g., as a store of value), such that the digital asset could later fall outside of the Act's definition.

The Act's definition of "payment stablecoin" could also be misconstrued in a manner that raises uncertainty as to whether it encompasses "arcade tokens," a category of digital assets that function as currencies within a contained digital ecosystem—such as airline miles, credit card rewards points, or digital gold in a video game—and that are intended primarily to facilitate user interactions, access to features, or the redemption of products or services, rather than to serve as general-purpose payment or settlement instruments.[14] By design, arcade tokens are limited in scope and often do not represent a fixed amount of monetary value. For this reason, arcade tokens do not meet the definition of a "payment stablecoin." However, issuers of arcade tokens often control the supply to dampen price increases (similarly to airlines keeping the value of airline miles relatively stable over periods of time) and sometimes offer redemption rights (similarly to credit card companies offering to redeem rewards points or offer cash back rewards). As a result, the Act's broad definition of "payment stablecoin" could create confusion regarding the permissibility of arcade tokens. Ultimately, the fact that loyalty and rewards points like airline miles are issued in tokenized form on a blockchain does not mean they should be classified as "payment stablecoins"—such assets do not require reserves, and the expectations of consumers are fundamentally different as compared to stablecoins. Notably, arcade tokens also do not pose the consumer protection, liquidity, or systemic risks that GENIUS was intended to address; rather, they enable activity within discrete, self-contained networks that utilize their own digital economies. Accordingly, Treasury should clarify that arcade tokens fall outside the scope

[12] *See* Statement, SEC Division of Corporation Finance, Statement on Stablecoins (Apr. 4, 2025), https://www.sec.gov/newsroom/speeches-statements/statement-stablecoins-040425.
[13] 12 U.S.C. § 5901(22)(A)(i).
[14] Miles Jennings, Scott Duke Kominers, & Eddy Lazzarin, *Defining tokens*, a16z crypto (Mar. 5, 2025), https://a16zcrypto.com/posts/article/defining-tokens/.

of the definition of "payment stablecoin" under Section 2(22) of the Act.

- **"Digital asset service provider" (Question 4 and 9)**

The definition of "digital asset service provider" ("DASP") in Section 2(7) of the Act, together with its exclusions, reflect clear Congressional intent to carve out various participants in decentralized networks and their underlying software, including distributed ledger protocols, validators, developers of non-custodial software interfaces, and others.[15] However, the breadth of the definition and its exclusions, as well as potential ambiguous terms therein, creates uncertainty as to how the statute would apply in practice and could lead regulators to, perhaps inadvertently, broaden the scope of the Act. In certain instances, it could also be difficult for market participants to discern their regulatory obligations. To that end, we recommend that Treasury clearly clarify the regulatory status of particular participants and providers in the blockchain ecosystem to ensure that GENIUS implementation aligns with the underlying policy objectives.[16]

Here, Treasury could look again to the CLARITY Act for guidance. CLARITY provides clear exemptions for decentralized finance activities that are not subject to the regulatory framework that the legislation otherwise establishes for intermediaries in digital asset transactions.[17] Similarly, GENIUS establishes prohibitions on certain intermediaries (DASPs) and carves out disintermediated software from such prohibitions. As a result, the exemptions in CLARITY are a useful guidepost for Congressional intent contemporaneous with the passing of GENIUS. Conveniently, those exemptions are generally consistent with the high-level categories provided in GENIUS, but provide greater granular detail. They could be tailored to GENIUS to include:

> (1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity;
>
> (2) Providing computational work, operating a node or oracle service, or procuring, offering, or utilizing network bandwidth, or other similar incidental services;
>
> (3) Providing a user-interface that enables a user to read, and access data about a blockchain system;
>
> (4) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a blockchain system; and
>
> (5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing software or systems that create or deploy hardware or software, including wallets or other systems, facilitating an individual user's own personal ability to keep, safeguard, or custody the user's digital assets or related private keys.

[15] 12 U.S.C. § 5901(7)(B)(i)-(v).
[16] *See* 12 U.S.C. § 5901(7).
[17] CLARITY Act, H.R. 3633, 119th Cong. (2025), at §§ 309, 409.

Indeed, the "for compensation or profit" and "engages in the business" elements of the DASP definition reflect that Congress intended it to be construed to mean that a DASP must handle or control digital assets for a financial intermediation purpose, and that there must be some sort of customer or other counterparty of the DASP in connection with the enumerated activities in Section 2(7)(A).[18] This scoping would help ensure that core technology functions are not, in and of themselves, regulated as financial activity. Digital asset regulation must properly distinguish between infrastructure and software functions, as opposed to businesses that engage as intermediaries in traditional financial activities, e.g., having customers, handling their assets, etc. Actors who do not perform intermediary financial roles should not be regulated as if they were providing financial services or participating in transactions of regulated financial instruments. The harms of failing to draw these crucial distinctions are significant and at odds with the aims of the Act.[19]

It is also particularly important to clarify the DASP exclusions because of the broad definition of "offer" in Section 2(21) of the Act, i.e., "to make available for purchase, sale, or exchange."[20] If read expansively, this term could unintentionally scope in entities and software that were never meant to be regulated under the GENIUS Act, including not only blockchain system participants and non-custodial wallet providers, but even web browsers and internet service providers. Accordingly, a regulator could interpret the ambiguity in "offer" to expand its jurisdiction and broaden the statute's application beyond its original intent. Refining and providing additional clarity on the DASP definitions will preserve the distinct boundaries between these terms, maintain internal coherence for the statute, and mitigate the risk that a wide array of infrastructure and software could otherwise fall within scope of the Act. To illustrate this clarification, Treasury could, for example, confirm that listing a stablecoin on an automated market maker, displaying a token on a platform, or enabling swap functionality through non-custodial infrastructure does not qualify as an "offer." Doing so would also align with Congressional intent of capturing financial transactions that actually involve intermediation, solicitation, or control, rather than activities that do not.[21]

* * *

In addition, Section 2(7)(A)(v) covers a person "that, for compensation or profit, engages in the business . . . of," among other activities, "participating in financial services relating to digital asset issuance . . . ."[22] "Participating" in this unqualified way could cover businesses or other entities that provide core technology functions necessary for the operation of decentralized blockchain systems. Regulatory refinement can clarify that these definitions do not sweep in actors that are neither intermediaries nor appropriate subjects of regulatory oversight.

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[18] This latter point is indicated by Section 2(7)(A)'s parenthetical on engaging in such business "including on behalf of customers or users in the United States . . . ." *See* 12 U.S.C. § 5901(7)(A).

[19] *See* The White House, "Fact Sheet: President Donald J. Trump Signs GENIUS Act into Law" (July 18, 2025), https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-signs-genius-act-into-law/.

[20] 12 U.S.C. § 5901(21).

[21] An additional benefit of constraining the reach of the term "offer" is that it would align more closely with how "offer" is more generally understood, i.e., as relating to a person actually offering an asset itself—not anyone that is simply making available a possible means for persons buying or selling such asset—as well as with the definition of "offer" in other federal regulatory regimes, including the federal securities laws. *See* Section 2(a)(3) of the Securities Act of 1933 (15 U.S.C. § 77b(a)(3)).

[22] 12 U.S.C. § 5901(7)(A)(v).

- **Exempt transactions (Question 8)**

Section 3(h) of the Act exempts certain transactions from Section 3's general prohibitions, including "the direct transfer of digital assets between 2 individuals acting on their own behalf and for their own lawful purposes, without the involvement of an intermediary"; as well as "any transaction by means of a software or hardware wallet that facilitates an individual's own custody of digital assets."[23] For the reasons noted above in response to Question 4, Treasury should clarify that maintaining core technology functions—including the activities described in CLARITY's Sections 309 and 409 (as modified above)—does not constitute "the involvement of an intermediary." Treasury should also clarify that the exception for wallet transactions that "facilitate an individual's own custody of digital assets" extends to network participants that take part in validating transactions (e.g., mining or staking).

- **Reserve requirements (Questions 10 and 12)**

Section 4(a)(1) of the Act requires PPSIs to maintain reserves backing outstanding stablecoins and publish the composition of those reserves on a monthly basis.[24] The Act delegates rulemaking around reserves to primary Federal payment stablecoin regulators or State payment stablecoin regulators.[25] Importantly, Section 4(a)(4)(iii) authorizes these regulators to issue rules regarding reserve asset diversification, including deposit concentration at banking institutions.[26] These diversification rules should balance: (1) avoiding concentration of reserves in deposits at a single insured depository institution (IDI); (2) avoiding concentration of reserves only in IDIs; while at the same time (3) ensuring that there are enough reserves held in demand deposit accounts at IDIs where funds can be available to handle redemption requests during periods when other assets may not be accessible (e.g., over weekends when financial markets are not open).

Rulemaking in this area should not require the monthly reports to be audited. The GENIUS Act is specific on this point and requires that the monthly reports be "examined" by a registered public accounting firm, and that the PPSI's Chief Executive Officer and Chief Financial Officer submit "a certification as to the accuracy of the monthly report" to the PPSI's regulator.[27]

There does not appear to be a need for Treasury to clarify the extent to which reserve assets are required to, or should, be held "in custody," but we recommend that Treasury consider the input of stablecoin issuers who may have more insight on this issue. Section 10 of the Act already addresses "custodial or safekeeping" services for payment stablecoin reserves, with express rulemaking authority around commingling of reserves delegated to the primary Federal payment stablecoin regulators.[28] Various types of reserve assets permitted under the statute can be held in a variety of legitimate structures that may or may not constitute "custody" as

[23] 12 U.S.C. § 5902(h)(1)(A), (C).
[24] 12 U.S.C. § 5903(a)(1).
[25] *See, e.g.*, Section 4(a)(4)(iii) (12 U.S.C. § 5903(a)(4)(iii)) (reserve asset diversification); Section 10(c)(2)(C) (12 U.S.C. § 5909(c)(2)(C)) (commingling of payment stablecoin reserves). Accordingly, the basis for Treasury's rulemaking authority on this topic is not clear.
[26] *See* 12 U.S.C. § 5903(a)(4)(iii).
[27] 12 U.S.C. § 5903(a)(3).
[28] 12 U.S.C. § 5909(c)(2)(C).

contemplated in the ANPRM. For example, a payment stablecoin issuer would likely maintain some portion of reserve funds as demand deposits at an IDI,[29] possibly with the demand deposit account designated as "for the benefit of" payment stablecoin holders—but this arrangement might not necessarily constitute "custody."

Lastly, Section 18(a)(3) of the Act requires that a foreign payment stablecoin issuer (FPSI) holds reserves in a U.S. financial institution "sufficient to meet liquidity demands of United States customers," unless otherwise permitted under a reciprocal arrangement with a foreign jurisdiction possessing a "comparable" regulatory regime.[30] To the extent a FPSI's reserves are maintained outside of the United States, foreign bankruptcy proceedings have the potential to interfere with the redemption rights of the FPSI's U.S. payment stablecoin holders. In determining whether a foreign regulatory regime is "comparable" to the regulatory and supervisory regime established under GENIUS, we recommend starting with the general principle that the foreign regime must be no less stringent than the regulatory and supervisory regime established under GENIUS. This would both foster a level playing field and protect U.S. holders of a FPSI's payment stablecoin.

- **Consequences of non-compliance (Questions 1 and 20)**

The scope and interaction of the penalty provisions in Sections 3, 4, and 6 of the Act would benefit from clarification.[31] In particular, it should be clarified which entities defined under the Act are subject to each of the Act's penalty provisions and whether these provisions are meant to imply additional compliance obligations.

For example, Section 3(a) of the Act provides that it is unlawful for any person other than a PPSI to "issue" a payment stablecoin in the United States.[32] Section 3(b)(1) further provides that it is unlawful for a DASP to "offer or sell" a payment stablecoin to a person in the United States, unless the payment stablecoin is issued by a PPSI.[33] But then Section 3(f)(1) provides that whoever "knowingly participates" in a violation of Section 3(a) shall be fined and/or subject to imprisonment.[34] Taken together, Section 3(f)(1) could appear to impose an extra layer of penalties on DASPs, where a DASP might offer or sell a payment stablecoin in violation of Section 3(b)(1), and also be deemed as "participat[ing]" in a violation of Section 3(a).

Likewise, it is unclear whether Section 4(e)(3)'s prohibition on "market[ing]" a product in the United States as a payment stablecoin unless it is issued pursuant to GENIUS is intended as a separate violation from those above and whether it is supposed to apply more broadly to anyone (especially since the term "market" is not defined in the Act).

Finally, the civil money penalty ("CMP") provisions in Section 6(b)(5) of the Act refer to *issuances* of a stablecoin in violation of Section 3 of the Act, and more broadly to violations of GENIUS.[35] The text of these provisions appears to only cover payment stablecoin issuers and

[29] *See* 12 U.S.C. § 5903(a)(1)(A)(ii) (permitting reserves comprising funds held as demand deposits at IDIs).
[30] *See* 12 U.S.C. § 5916(a)(3), (d).
[31] *See* 12 U.S.C. §§ 5902-03, 5905.
[32] 12 U.S.C. § 5902(a).
[33] 12 U.S.C. § 5902(b)(1).
[34] 12 U.S.C. § 5902(f)(1).
[35] 12 U.S.C. § 5905(b)(5).

their "institution-affiliated parties" (IAP).[36] Nevertheless, given the shifting scopes of penalty provisions throughout the Act, it would be beneficial to confirm that the CMP provisions are limited to payment stablecoin issuers and their IAPs, and not necessarily applicable to DASPs, stablecoin users, or other persons generally.

IV. Ensuring Competition and a Level Playing Field

The ANPRM requests comment on a number of topics that could impact competition between payment stablecoin issuers depending on their entity types; whether they are regulated at the state or federal level; and whether they are foreign or domestic issuers. A regulatory framework that fosters a fair and competitive market for payment stablecoins will help ensure a diversity of stablecoin issuers, instill confidence in the emerging stablecoin industry, and benefit stablecoin users.

- **Prohibition on yield (Question 14)**

Section 4(a)(11) of the Act provides that "[n]o permitted payment stablecoin issuer or foreign payment stablecoin issuer shall pay the holder of any payment stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such payment stablecoin."[37] This language is precise and prohibits the activities specifically described. Importantly, it does not prevent sharing of revenue generated from payment stablecoin reserves with business partners of a PPSI. In establishing regulatory authority, it is not the burden of Congress to explicitly detail all of the activities that are permissible under a regulatory scheme—it is only necessary to specifically state what activities are impermissible. In Section 4(a)(11) of the Act, Congress has been explicit, and Treasury should not seek to reinterpret this language to prohibit activities beyond Congressional intent. For the foregoing reasons, we do not believe Section 4(a)(11) requires further clarification by Treasury. Moreover, to the extent that any regulations are needed, it would appear that the rulemaking authority resides with the primary Federal payment stablecoin regulators.[38]

- **State-level and foreign regulatory frameworks (Questions 18, 19, 30, 32, and 46)**

Section 4(c) of the Act generally provides for Treasury to establish broad-based principles for determining whether a state-level regulatory regime is "substantially similar" to the federal regulatory framework under the Act, and certify a state-level regulatory regime that "meets or exceeds" these standards.[39] Likewise, and as we discuss in our answer to Questions 10 and 12 above, Section 18 of the Act authorizes Treasury to determine whether a foreign regulatory and supervisory regime for payment stablecoins is "comparable" to the requirements established under GENIUS.[40] These provisions have a common theme of referring to the framework established by GENIUS, and we recommend that Treasury adopt a principle

[36] Section 2(13) defines an IAP as "any director, officer, employee, or controlling stockholder of the permitted payment stablecoin issuer." 12 U.S.C. § 5901(13).
[37] 12 U.S.C. § 5903(a)(11).
[38] 12 U.S.C. § 5904(g).
[39] *See* 12 U.S.C. § 5903(c).
[40] 12 U.S.C. § 5916.

applicable to each of them that the state-level and foreign-level regimes be no less stringent than the Federal standards established under GENIUS. Besides comparing the regulatory requirements and standards of the Federal framework set forth in the Act, Treasury should also include a standard that takes into account the supervisory resources and experience of the state or foreign regulator, which can differ dramatically between states and foreign jurisdictions and from Federal financial regulators.

V. Combating Illicit Finance

- **Unique features affecting AML compliance (Question 23)**

Treasury should clarify AML/CFT and sanctions obligations for stablecoin issuers in existing Bank Secrecy Act (BSA) and OFAC frameworks, particularly that obligations should apply only to transactional activity conducted "by, at, or through" the issuer. Treasury should also clarify that BSA obligations apply to issuers at the time of payment stablecoin issuance and do not extend to the issuer for transactional activity occurring in the secondary market.

Issuers and their permitted financial partners must apply BSA-style monitoring, reporting, and compliance programs—including suspicious activity reporting, recordkeeping, risk assessments, internal controls, independent testing, a designated compliance officer, and ongoing training. However, issuers should not be required to monitor blockchain transactions outside of their operational perimeter.

- **Technical capabilities relevant to sanctions compliance and AML programs (Questions 24 and 25)**

In our response to Treasury's request for comment on the use of innovative or novel methods, techniques, or strategies to detect and mitigate illicit finance risks involving digital assets, we described the substantial benefits that digital identity solutions, particularly those that are decentralized, can offer for improving sanctions compliance and AML programs. We incorporate our response to Treasury's request here, and we encourage Treasury to consider the steps that we suggested the U.S. government could take to further facilitate effective, risk-based adoption of digital identity verification for detecting illicit finance involving digital assets.[41]

In addition, Treasury should create a safe harbor shielding stablecoin issuers from civil liability when acting in good faith under lawful orders, OFAC obligations, or terrorism-related sanctions, provided they maintain proper compliance, reporting, and recordkeeping. The safe harbor should include indemnity for required blocking actions, protect issuers for incidental transfers, and encourage timely, transparent remediation.

As mentioned in response to Question 23 above, rulemaking should also acknowledge and clarify that AML/CFT duties differ between the primary market (where issuers serve institutional clients) and the secondary market (handled by intermediaries). Issuers lack customer relationships and data for secondary-market transactions and thus should not bear BSA

[41] Miles Jennings, Michele R. Korver & Jai Ramaswamy, *Andreessen Horowitz Response to Request for Comment on Innovative Methods To Detect Illicit Activity Involving Digital Assets* (Oct. 17, 2025), https://www.regulations.gov/comment/TREAS-DO-2025-0070-0209.

obligations on those transactions; any such monitoring should remain risk-based.

VI. Tax and Accounting Considerations

- **Tax and accounting treatment of stablecoins (Questions 6, 37, and 38)**

Under current IRS rules and guidance, taxpayers may incur tax obligations from gains or losses in each transaction involving a stablecoin, and brokers may have information reporting obligations based on such transactions. Although permitted payment stablecoins are issued and designed to maintain a fixed 1:1 ratio for U.S. dollars, it is possible that taxpayers could incur tax obligations based on very minor deviations from the peg when engaging in routine transactions. For example, a taxpayer could purchase a stablecoin and later dispose of it for another good, such as coffee, and thereby trigger a taxable event for the taxpayer, even though the taxable gains or losses are nominal (and often zero). Over just a short period of time, taxpayers could engage in a large number of extremely low-value transactions, which, under the current rules, could require recognition of gain or loss. These potential tax obligations could make it extremely burdensome for taxpayers to use stablecoins in real life, while providing minimal useful information for tax compliance and enforcement. Moreover, digital asset brokers under Section 6045 could have obligations with respect to these sorts of transactions, creating a large administrative burden with no commensurate benefit.

To mitigate this problem, Treasury could clarify that, as a general matter, payment stablecoins do not generate measurable gains or losses that are relevant for tax purposes and provide regulatory relief from recognition of gain or loss consistent with their use as a medium of exchange or to purchase goods and services.[42] Treasury could provide an exception from this general guidance for significant de-pegging events, in which a stablecoin experiences more than a minor fluctuation from its peg, or for gains and losses realized in the course of active trading. These changes would eliminate reporting of immaterial gains or losses, simplifying reporting for taxpayers and the IRS and aligning with the economic reality of stablecoins that are used as a medium of exchange or for payment purposes, while still providing taxpayers and the IRS with relevant information for meaningful taxable stablecoin gains or losses.

VII. Delivering on the Promise of GENIUS

By providing a clear regulatory framework for growth and responsible innovation in the stablecoin market, GENIUS has the potential to spur consumer payments innovation, boost venture investment into the stablecoin market, and ensure the U.S. dollar's global reserve currency. Given the inherent efficiency and speed of blockchains, increased adoption of payment stablecoins under GENIUS should significantly reduce transaction fees, speed up settlement times, and lower failure rates compared to existing payment systems (Question 52). Regulatory certainty under GENIUS will also encourage venture investment into the stablecoin market and help attract talent to stablecoin-related startups (Question 51). Importantly, GENIUS will help ensure the U.S. dollar's global reserve currency status by driving demand for Treasuries as payment stablecoin reserves (Question 53).[43] Onerous or unworkable implementing regulations,

[42] Decentralized stablecoins that are designed to maintain stable value and exhibit the characteristics described above in Section III should also benefit from similar treatment.

[43] Indeed, two stablecoin issuers collectively hold $152 billion in U.S. Treasuries—more than Saudi Arabia, South

however, could seriously undermine these potential benefits to consumers, the stablecoin market, and U.S. interests. Appropriately tailored implementation of GENIUS, as discussed above, is thus critical to realizing the Act's full promise.

* * *

We greatly appreciate the opportunity to provide comments on these important matters, and we look forward to continued engagement with Treasury on these issues.

Respectfully submitted,

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Korea, Israel, and Germany. *See State of Crypto Report 2025*, a16z crypto (Oct. 22, 2025), https://d2hguprl3w2sje.cloudfront.net/uploads/2025/10/State-of-Crypto-2025-a16z-crypto.pdf.