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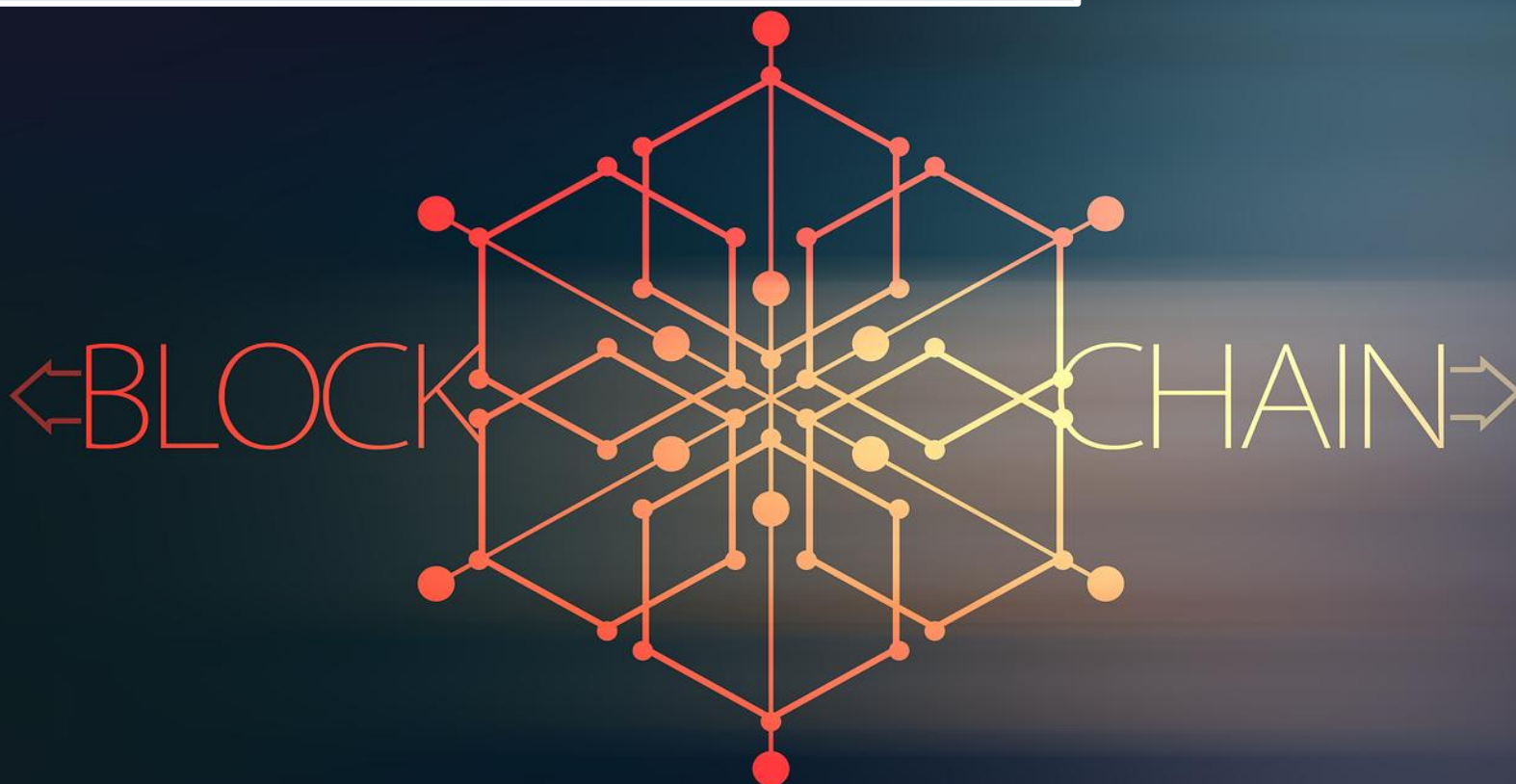


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The GENIUS Act and the Future of U.S. Stablecoin Regulation

Executive Summary:

The Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act of 2025, now fully enacted into federal law, establishes the first comprehensive national framework for the issuance, oversight, and operation of payment stablecoins in the United States. The Act marks a decisive federal intervention in a policy area that had remained fragmented, largely unregulated, and dominated by inconsistent state-level approaches.

Keywords

United States, innovation, cryptocurrencies, stablecoins, financial regulation

Background: Stablecoins and the GENIUS Act

The Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act of 2025, now fully enacted into federal law, establishes the first comprehensive national framework for the issuance, oversight, and operation of payment stablecoins in the United States. The GENIUS Act introduces a licensing and supervision regime for “permitted payment stablecoin issuers,” mandates full one-to-one reserve backing using U.S. dollars or other highly liquid, low-risk assets, and requires regular disclosure, independent audits, and strict governance standards for issuers. It further embeds robust anti-money-laundering (AML) and counter-terrorist-financing (CFT) obligations, reflecting national-security concerns surrounding the rapid growth of digital assets.

The Act also prohibits yield or interest payments solely for holding stablecoins, drawing a clear regulatory boundary between payment instruments and investment products. At the same time, it extends its reach to foreign-issued stablecoins offered to U.S. persons, requiring either compliance with U.S. rules or recognition of a comparably rigorous foreign regulatory framework.

By codifying these measures, the GENIUS Act aims to bolster consumer confidence, safeguard financial stability, and reinforce U.S. leadership in the global digital-finance landscape. Its adoption signals a shift from ad hoc enforcement to structured, forward-looking regulation, designed to accommodate innovation while mitigating systemic and illicit-finance risks.

Although its passage followed a contentious political process and required compromises on issues including supervisory authority, market structure, and governance safeguards, the GENIUS Act now forms the cornerstone of U.S. stablecoin policy. Its implementation will reshape the digital-asset ecosystem, set regulatory expectations for domestic and foreign market participants, and likely serve as a template for emerging international standards on payment stablecoins.

Legislative Journey

The legislative trajectory of the GENIUS Act of 2025 illustrates both the political sensitivity of digital-asset regulation and the growing bipartisan recognition that stablecoins require a coherent federal framework. Introduced in early 2025 as a bipartisan initiative, the bill initially progressed swiftly, securing an 18–6 vote in the Senate Banking Committee, signalling substantial cross-party support for establishing uniform national standards for payment stablecoins.

However, its path to final adoption proved far more complex. The Act encountered a series of political and procedural obstacles, most notably an early failure to clear the Senate’s cloture threshold, falling short of the 60 votes required to advance debate to the floor. This setback exposed divisions over national-security considerations, the adequacy of consumer-protection provisions, and the scope of federal versus state authority. Several senators temporarily withdrew their support, citing concerns about foreign-issued stablecoins, AML obligations, and governance safeguards.

Following this impasse, the bill underwent a period of intense negotiation and revision, during which lawmakers incorporated clearer reserve-backing rules, strengthened AML/CFT compliance requirements, and introduced more explicit governance standards for stablecoin issuers. Provisions clarifying the treatment of foreign stablecoins offered to U.S. persons, along with enhanced transparency obligations, proved decisive in rebuilding bipartisan trust.

These amendments ultimately shifted the political balance. A renewed compromise package reached the Senate floor in mid-2025, where it passed with a narrow but stable bipartisan majority. Subsequent approval in the House, combined with strong support from financial-regulatory bodies and industry stakeholders seeking federal clarity, paved the way for the Act’s signature by the President in July 2025.

The GENIUS Act’s legislative journey thus reflects the evolving national understanding of stablecoins: from a source of regulatory ambiguity to a domain demanding precise statutory controls. Its eventual adoption underscores a recognition that innovation, consumer protection, and national security must be jointly embedded in the federal approach to digital-asset regulation.

Key provisions of the GENIUS Act

1. Federal Licensing of Payment Stablecoin Issuers: The Act establishes a mandatory **federal approval regime** for “permitted payment stablecoin issuers.” Only entities that obtain authorisation under the GENIUS Act—such as insured depository institutions or eligible non-bank entities meeting prudential criteria—may issue payment stablecoins to the public. Licensing decisions are based on financial soundness, operational resilience, governance suitability, and compliance capacity.

2. Full One-to-One Reserve Backing: Issued stablecoins must be backed **1:1** with high-quality, low-risk assets. The Act restricts reserve composition to: U.S. dollars held at insured financial institutions; Short-term U.S. Treasury obligations; Other liquid, regulator-approved instruments. Issuers must maintain **segregated reserves**, ensuring immediate redemption at par upon demand. This requirement aims to prevent de-pegging, runs, and liquidity crises.

3. Transparency, Reporting, and Independent Audits: The Act imposes strict transparency obligations: **Monthly public disclosures** of reserve composition, liquidity profile, and outstanding liabilities; **Quarterly independent audits** by registered public accounting firms; Ongoing reporting to federal supervisors on operational risks, cyber controls, and financial stability exposure. These measures are intended to enhance market discipline and mitigate information asymmetries.

4. Prohibition on Interest or Yield Payments" The GENIUS Act expressly **prohibits stablecoin issuers from offering interest, yield, or similar returns solely for holding payment stablecoins**. This provision draws a firm regulatory distinction between **payment instruments** and **investment or deposit-like products**, ensuring that stablecoins do not function as de facto money-market funds or unregulated bank deposits

5. Governance and Fitness Standards: The Act introduces governance criteria to ensure responsible oversight. Officers, directors, and controlling persons of a permitted stablecoin issuer must: Meet “fit and proper” standards; Demonstrate financial and managerial competence; Not have been convicted of crimes involving fraud, money laundering, terrorist financing, or other serious financial misconduct. These requirements seek to reduce operational and reputational risks.

6. Enhanced Supervisory Powers and Enforcement: Federal regulators are granted authority to: Conduct examinations, Issue supervisory directives, Impose civil penalties, and Order suspension or termination of non-compliant issuers. Supervisory discretion is structured to respond to emergent risks in a rapidly evolving digital-asset environment.

Implications and Future Outlook

The adoption of the GENIUS Act marks a watershed moment in U.S. financial regulation, signalling the federal government's move from reactive enforcement to a structured, statutory framework for digital-asset oversight. Its implications extend across consumer protection, financial stability, market competitiveness, and international regulatory convergence.

1. Reshaping the U.S. Stablecoin Market: By introducing a federal licensing regime, strict reserve rules, and a prohibition on yield payments, the Act is poised to consolidate the stablecoin market around issuers capable of meeting its prudential and governance standards. Smaller or less-compliant issuers may exit the market or seek acquisition by regulated financial institutions. The result is likely to be a more resilient but more concentrated ecosystem, with stablecoins evolving into regulated payment instruments rather than speculative assets.

2. Strengthening Consumer Confidence and Market Integrity: Mandatory 1:1 backing, monthly disclosures, and independent audits are expected to reduce information asymmetries and rebuild public trust after years of volatility and reserve-management controversies. Clear redemption rights and consumer-protection obligations should decrease the risk of runs, misrepresentation, and operational failures. These measures position stablecoins as credible components of the broader digital-payments infrastructure.

3. Enhancing National Security and AML Enforcement: The Act's AML/CFT requirements integrate stablecoin activity directly into the U.S. financial-integrity architecture. Issuers must operate full compliance programmes, monitor transactions, and adhere to OFAC sanctions regimes. This shift is likely to strengthen the U.S. national-security posture, particularly with respect to illicit finance, sanctions evasion, and cross-border criminal activity facilitated through digital assets.

4. Implications for Global Regulatory Alignment: The GENIUS Act positions the United States as a rule-setter in global stablecoin regulation. Its extraterritorial expectations—requiring foreign-issued stablecoins offered to U.S. persons to comply with U.S. standards or comparable foreign regimes—create incentives for international harmonisation. Jurisdictions developing their own frameworks (e.g. the EU, UK, Singapore) may draw on U.S. standards, accelerating convergence. For global stablecoin issuers, the U.S. market will impose a de facto benchmark for compliance.

5. Technological and Market Innovation: By providing legal certainty and clear operational requirements, the Act may unlock greater institutional participation in digital-asset payments, including from banks, payment processors, and fintech firms previously deterred by regulatory ambiguity. Innovation is likely to shift from speculative experimentation to payment applications, cross-border settlement, treasury management, and programmable financial contracts, all supported by stable, regulated digital dollars.

6. Ongoing Regulatory and Supervisory Evolution: The Act embeds mechanisms that allow federal authorities to adapt oversight to technological and market developments. Regular reporting, supervisory examinations, and the

possibility of future rulemaking ensure that the framework remains dynamic and responsive. As the market evolves, regulators may refine standards for reserve composition, interoperability, cybersecurity, and systemic-risk management.

7. Prospects for Broader Digital-Asset Legislation: The GENIUS Act is likely to serve as the legislative foundation for a more comprehensive U.S. digital-asset regulatory architecture. Its adoption has demonstrated that bipartisan agreement is possible when consumer protection, financial stability, and national security are prioritised. Future congressional efforts may focus on: wider digital-asset market-structure rules; enhanced regulatory coordination among federal agencies; frameworks for tokenised deposits and digital-dollar infrastructure; classification and oversight of non-payment crypto assets.

Further Reading

- U.S. Senate Banking Committee Fact Sheet on the GENIUS Act, April 2025 ([link](#))
- Congressional Research Service Overview of S. 394, GENIUS Act of 2025 ([link](#))
- World Economic Forum, The GENIUS Act is designed to regulate stablecoins in the US, but how will it work? ([link](#))