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Financial Services Alert

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Proposed OCC regulations for payment stablecoins under the GENIUS Act

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The OCC proposes sweeping payment stablecoin rules under the GENIUS Act, covering reserve assets, disclosures, redemption, capital, audits, and exams.



What's the impact?

- The OCC's proposed rule would create the most comprehensive federal framework to date for issuing, redeeming, and managing payment stablecoins.
- The proposal imposes strict reserve, capital, redemption, and reporting requirements on banks, nonbanks, and certain foreign issuers.
- OCC is accepting public comments through May 1, 2026.

The Office of the Comptroller of the Currency (OCC) recently published a 376-page proposed rule to implement the 2025 GENIUS Act (the Guiding and Establishing National Innovation for U.S. Stablecoins Act). The proposed rule creates a broad framework covering how OCC-supervised entities may issue, redeem, and manage payment stablecoins, including reserve, custody, capital, risk management, and supervisory requirements. It applies to national bank

subsidiaries, federal thrifts, federally licensed nonbank issuers, larger state-licensed issuers moving to federal oversight, and foreign issuers operating in the US. The rule is expected to significantly shape the US payment stablecoin market and serve as a baseline influencing how other agencies implement the GENIUS Act.

The OCC requested public comment on topics, including permitted activities, the ban on paying yield, reserve makeup, redemption rules, white-label arrangements, licensing paths, capital standards, and reporting. The comment period closes on May 1, 2026.

Major topics addressed by the proposed rule

PERMISSIBLE AND PROHIBITED ACTIVITIES

Permitted payment stablecoin issuers (PPSIs) may issue and redeem stablecoins, manage reserves, and hold stablecoins, reserves, and private keys in custody.

- / PPSIs may also carry out activities that “directly support” their core functions—for example, holding other crypto-assets needed to pay blockchain transaction fees.
- / PPSIs may buy and sell stablecoins on their own account or on behalf of others and may charge transaction fees.

INTEREST AND YIELD PROHIBITION

PPSIs may not pay interest or yield to anyone simply for holding, using, or keeping a payment stablecoin.

- / The proposed rule presumes a violation where a PPSI routes payments through an affiliate or “related third party” that then passes yield to holders; the issuer bears the burden of proving otherwise.
- / Other indirect arrangements may still be found to violate the ban based on the specific facts.
- / Independent merchant discounts for using payment stablecoins are not considered prohibited yield payments.

WHITE-LABEL AND CO-BRANDING ARRANGEMENTS

The OCC is weighing whether to bar a PPSI from issuing more than one “brand” of stablecoin, including through white-label or co-branded products.

Under an alternative “one issuer, one brand” approach, affiliates would need their own approvals but could share back-office operations.

RESERVE ASSET REQUIREMENTS

Every stablecoin in circulation must be backed dollar-for-dollar by reserves held separately from the issuer's own funds.

- / Eligible reserves include US cash, insured bank deposits, certain short-term treasury notes, government money market funds, "any other similarly liquid Federal Government-issued asset approved by the OCC," and tokenized versions of any of these.
- / The OCC offers two approaches to reserve diversification: **Option A** sets a flexible standard with a voluntary safe harbor (at least 10% in assets convertible to cash daily and 30% convertible weekly). In contrast, **Option B** would make those minimums mandatory for all issuers.
- / Issuers with \$25 billion or more in outstanding issuance must maintain at least 0.5% of reserve assets as insured deposits, up to a \$500 million cap.
- / PPSIs must publish monthly reserve reports, examined by a registered public accounting firm and certified by the chief executive or chief financial officer.

REDEMPTION POLICIES AND CIRCUIT BREAKERS

PPSIs must publicly post their redemption policies, including circumstances that could delay payouts.

- / Redemption must occur within two business days following the redemption request date.
- / Changes to fees require at least seven calendar days' prior notice to customers.
- / Circuit breakers apply if redemptions exceed 10% of outstanding issuance within 24 hours, triggering OCC notification and potential extended timelines.
- / The OCC may independently extend redemption periods on safety-and-soundness or public-interest grounds.

CAPITAL REQUIREMENTS AND OPERATIONAL BACKSTOP

Required capital must be high-quality equity (common equity tier 1 and additional tier 1), mirroring existing bank capital rules.

- / New issuers must hold at least \$5 million in capital (or more if their charter requires it), generally for at least three years.
- / Issuers must also set aside an operational backstop—12 months of operating expenses in cash or near-cash assets—kept separate from reserves.
- / Missing capital or backstop minimums for two consecutive quarters forces a mandatory wind-down: the issuer must redeem all outstanding stablecoins without charging fees.

RISK MANAGEMENT AND SUPERVISION

Risk management standards are flexible and scaled to each issuer's size, complexity, and risk profile.

- / Deals with affiliates or insiders must be on market terms, reasonable in size, and reviewed by the board.
- / The OCC will examine each issuer at least once a year. However, smaller issuers (under \$1 billion outstanding or \$25 billion in monthly trading volume) may be examined less frequently—every 18 to 36 months.
- / PPSIs must file weekly confidential reports and quarterly financial condition reports.
- / Issuers exceeding \$50 billion outstanding must prepare GAAP-compliant annual audited financials.

CUSTODY REQUIREMENTS

New custody rules govern any OCC-supervised institution that holds stablecoin reserves, stablecoins pledged as collateral, or private keys on behalf of others.

- / Custodians must track each customer's assets separately and may not mix them with the custodian's own holdings, though pooled (omnibus) accounts for multiple customers are allowed.
- / Custodians must keep possession or control of the assets they hold; delegation to sub-custodians is allowed if proper oversight is in place.
- / Wallet software and hardware providers that simply help users hold their own keys are exempt.

Application frameworks

FEDERAL APPLICANTS

National banks, federal thrifts, nonbanks, and foreign banks may apply to the OCC; a complete application is automatically approved after 120 days if the OCC does not act.

FOREIGN ISSUERS

Allowed to register if Treasury has found their home-country rules comparable to US standards, and they are not based in a sanctioned country; registration is automatically approved after 30 days if not rejected.

STATE ISSUERS

Those with more than \$10 billion in outstanding stablecoins must notify the OCC and either move to federal oversight within 360 days or stop issuing new stablecoins. A waiver is presumptively available if the issuer's state already had a GENIUS Act-certified digital asset regime in place by April 19, 2025.

Federal preemption

The OCC asserts that it alone has the right to examine and supervise federally approved PPSIs, generally blocking other regulators from imposing additional oversight.

State consumer protection laws still apply unless specifically overridden.

Guidance for companies preparing comment letters

The OCC's proposal offers the most detailed federal stablecoin rulemaking to date and will reshape competition among issuers, banks, and fintech companies. By addressing licensing, permitted activities, reserves, redemption, capital, risk management, and supervision in a single proposal, the OCC has set a benchmark that will likely guide FDIC, Federal Reserve, and state rulemakings under the GENIUS Act. Companies preparing comment letters may want to express their views on the reach of the yield ban, the choice between flexible and mandatory reserve diversification rules, the treatment of white-label products, and the sizing of capital requirements. The proposal should be read alongside the FDIC's December 2025 proposed rule on GENIUS Act procedures for FDIC-supervised institutions (comments are due by May 18, 2026) and the OCC's separate February 2026 final rule allowing national trust banks to offer stablecoin custody and issuance services. These overlapping rulemakings—along with open questions about tokenized bank deposits, which fall outside the "payment stablecoin" definition—will continue to reshape the digital asset regulatory landscape.

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