

New and Improved Stablecoin Legislation

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We have reported on stablecoin regulation and legislation several times over the last few years, including on the most recent stablecoin legislation that appeared to have traction on a bi-partisan basis, [the Lummis-Gillibrand 2.0 bill that was introduced in July 2023](#). So, now we are reporting on NEW new legislation, in the form of the so-called [GENIUS Act](#) that is being introduced by not only Lummis and Gillibrand, but also Chairman of the Senate Committee on Banking, Housing and Urban Affairs, Tim Scott and Senate Banking Committee member Bill Hagerty. In the February 4 [press release](#) announcing the bill, called the Guiding and Establishing National Innovation for U.S. Stablecoins ("GENIUS") Act, Chairman Scott observed that "this legislation will expand financial inclusion and provide much-needed clarity to ensure the industry can innovate and grow here in the United States, while protecting consumers and promoting the U.S. dollar's global position."

Meanwhile Senator Gillibrand stated that the GENIUS Act was designed to protect "consumers by requiring stablecoin issuers to maintain one-to-one reserves; prohibiting algorithmic stablecoins; and requiring issuers to comply with U.S. anti-money-laundering and sanctions rules. Importantly, it will empower responsible innovation, maintain U.S. leadership in digital assets and blockchain technology, and keep crypto companies and jobs onshore." The press release also provided a [one-pager summarizing the bill](#).

While we are still parsing through the bill, we have a few observations – the legislation sets out definitions that clearly differentiate stablecoins from other kinds of digital assets and it also allocates the regulation of stablecoins firmly to prudential banking regulators. Should a bank or credit union issue stablecoins, then that financial institution will work with its own prudential bank regulator on that project, with oversight from the Office of the Comptroller of the Currency ("OCC") and if a nonbank issues stablecoins, then that nonbank works directly with the OCC. These two points alone set up a framework that seems reasonable, right-sized and appropriate. We will see how the legislation fares.