

Use of Payment Stablecoins as Margin and Collateral under the GENIUS Act

August 7, 2025

A graphic with an orange-to-white gradient background. At the top, in small black capital letters, is "C A D W A L A D E R". Below that, in large, bold, black capital letters, is "CLIENT AND FRIENDS MEMO".

CLIENT AND FRIENDS MEMO

The Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 (the “**GENIUS Act**” or the “**Act**”) establishes a legal framework for defining, issuing, custodying and managing a specific kind of digital asset—“Payment Stablecoins” (“**PSCs**”). After months of deliberation, on July 17, 2025, Congress passed the GENIUS Act during the eponymous “crypto week” and, the day after, the President signed it into law. Relevant regulatory agencies are already drafting rules and regulations that will implement various aspects of the Act.

Also, on July 17, 2025, the U.S. House passed The Digital Asset Market Clarity Act of 2025 (the “**CLARITY Act**”) and sent it to the Senate. The CLARITY Act addresses the entirety of digital assets marketplace infrastructure—a much broader remit than the GENIUS Act, which again, is focused on PSCs. If the Senate passes the bill as is, it too will go to the President for signature. However, many expect that the CLARITY Act will need reconciliation with the Senate’s own version of companion legislation before it would be enacted.

Further, on July 30, 2025, The President’s Working Group on Digital Asset Markets (the “**Working Group**”) issued its report, Strengthening American Leadership in Digital Financial Technology (the “**Working Group Report**”),² in response to President’s Executive Order No. 14178 dated January 23, 2025. The Working Group Report provided a number of recommendations in relation to PSCs’ use as collateral and margin in U.S. financial system.

Stablecoins have existed for several years now and are worth many billions.³ The PSCs defined under the Act constitute a subset of the broader asset class, and the Act applies an entirely new regulatory approach to them.⁴ Therefore, if one intends to use PSCs as collateral, it is not enough to assume that existing arrangements suffice—one must review and properly assess anew all existing custodial, collateral, margin and other arrangements to determine how to accommodate PSCs consistent with the Act. Further, the use of PSCs must be examined from a variety of perspectives, including banking, bankruptcy, regulatory, technology, documentation, anti-money laundering (“**AML**”) and law enforcement. These topics are the focus of this article.

Because the Act is newly enacted and its substantive provisions have yet to take effect, no PSCs have been issued under or in compliance with its provisions to date. But as the market awaits effectiveness of the Act, two practical questions arise: (1) can existing stablecoins be accepted currently by custodians and used as collateral or as margin, and if yes, how? and (2) what will be necessary to accept PSCs issued under the Act when it becomes effective?

Read more [here](#).