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To whom it may concern,

Re: Response to the Department of the Treasury Advance Notice of Proposed Rulemaking on Implementation of the GENIUS Act

About Global Digital Finance (GDF)

GDF is the leading global members association advocating and accelerating the adoption of best practices for crypto and digital assets. GDF's mission is to promote and facilitate greater adoption of market standards for digital assets through the development of best practices and governance standards by convening industry, policymakers, and regulators.

The input to this response has been curated through a series of member discussions, industry engagement, and roundtables, and GDF is grateful to its members who have taken part.

As always, GDF remains at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail with our members.

Yours faithfully,
Elise Soucie Watts - Executive Director - GDF

Response to the Advance Notice of Proposed Rulemaking: Executive Summary

Global Digital Finance (GDF) convened its U.S. Policy & Regulatory Working Group to analyze the Department of the Treasury's Advance Notice of Proposed Rulemaking (ANPRM) on implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act. GDF welcomes Treasury's initiative to establish a clear and proportionate regulatory framework for payment stablecoins that both safeguards consumers and financial stability while enabling innovation in the U.S. digital asset ecosystem.

GDF supports Treasury's initiative under the GENIUS Act and welcomes a technology-neutral, proportionate framework that safeguards consumers and financial stability while enabling responsible innovation. We are committed to constructive, data-driven dialogue throughout rulemaking and to collaborating on pragmatic implementation—particularly on transitional arrangements, cross-border interoperability and supervisory clarity that can reduce compliance burden while strengthening controls. GDF also welcomes Treasury's emphasis on public input and iterative engagement reflected in this ANPRM.

This draft response reflects the input of GDF members across the digital assets industry and seeks to provide constructive feedback to Treasury on areas where further clarification, proportionality, and technical considerations may be useful. Our key points of feedback are as follows:

1. Scope and Transitional Clarity: GDF supports Treasury providing clear timing, scope, and transitional provisions to ensure an orderly shift for existing issuers and holders. Guidance should confirm that GENIUS applies to stablecoins issued in, to, or from the United States, with transitional mechanisms for conversion or redemption.

2. Safe Harbors to Support Orderly Implementation: Time-limited safe harbors should be introduced from the Act's operational date to provide legal certainty and prevent cliff-edge effects. Transitional and pilot-scale safe harbors can facilitate compliance, support innovation, and ensure continuity of service while full PPSI authorizations are processed.

3. Reserve Clarity and State Trust Pathways: Treasury should codify the role of state-chartered trust companies and the state-pathway model within GENIUS implementation, ensuring alignment on prudential principles such as 1:1 reserve backing, segregated custody, independent attestation, and redemption at par. State oversight (e.g., NYDFS) can provide a valuable model for national consistency while retaining flexibility for innovation.

4. Functional Equivalence and Reciprocity: Comparability under Section 18 should be based on functional outcomes (e.g., reserves, redemption, disclosure, and supervision) rather than identical legal form. Treasury should prioritize reciprocity arrangements with the UK, EU, Hong Kong, Singapore, ADGM, and Japan, ensuring interoperability and cross-border access for compliant, dollar-backed stablecoins.

5. AML, Sanctions, and Travel Rule Implementation: GDF supports a risk-based, activity-focused approach consistent with FATF standards. Treasury should clarify Travel Rule obligations for PPSIs and promote pre-transaction compliance and open interoperability standards to prevent fragmentation. Regulations should leverage blockchain analytics to identify illicit activity while maintaining the viability of self-custody and peer-to-peer transfers for lawful use.

6. Definition of Interest, Yield, and Rewards: Treasury should clarify that Section 4(a)(11) applies only to issuer-paid interest or yield, not to indirect or third-party rewards. "Interest," "yield," and "rewards" should retain their established financial meanings, ensuring that consumer-facing rewards, such as rebates or loyalty programs, remain permissible to support choice and competition while preventing investment-like features.

7. Tax Clarity for Payment Stablecoins: GDF recommends that payment stablecoin transactions not constitute taxable events, that they be exempt from Form 1099-DA reporting, and excluded from wash-sale rules, recognizing their function as cash-equivalent settlement instruments under GENIUS.

8. Proportionate Sanctions Compliance: GDF supports full sanctions compliance but urges that PPSIs' obligations be limited to direct customer relationships, not downstream transactions beyond their control. Primary screening should occur at issuance, redemption, and onboarding, ensuring proportionality with established financial-intermediation models.

9. Economic and Strategic Alignment: GDF believes that aligning U.S. stablecoin rules, where possible, with comparable foreign regimes will reduce friction, expand market access, and reinforce the global role of the U.S. dollar. Regulatory clarity will improve compliance efficiency, attract institutional participation, catalyze startup innovation, and accelerate mainstream adoption of regulated payment stablecoins.

Overall, GDF supports Treasury's leadership in developing a credible, globally interoperable framework for payment stablecoins under the GENIUS Act. Implementing the Act through outcome-based, proportionate, and internationally aligned regulation will advance the dual goals of financial integrity and innovation, positioning the United States as a trusted, forward-looking jurisdiction for the next generation of digital money.

Response to the Advance Notice of Proposed Rulemaking: Questions for Public Consultation

Stablecoin Issuers and Service Providers

1. What topics should any regulations to effectuate Section 3(a), including the associated penalties, address?

GDF agrees with the intent of Section 3(a) of the GENIUS Act to establish a clear perimeter for "Permitted Payment Stablecoin Issuers" (PPSIs) and, by extension, to prevent the issuance of unregulated payment stablecoins within the United States. However, we also believe that the implementation should be proportionate, innovation-friendly, and aligned with international regulatory developments to avoid unnecessary market fragmentation. Implementation should also consider safe harbors as set out in Section 3(c) and expanded upon in our response to Q2, ensuring that transitional arrangements support orderly compliance. We would set out the following key areas which we believe that the regulations to effectuate Section 3(a) should address:

- **Scope and transitional clarity:** While Section 4(a) and the PPSI licensing requirements already define the core perimeter for lawful issuance in the United States, Treasury should provide additional clarity on timing, transitional arrangements, and extraterritorial application. Specifically, regulations should define the point at which the prohibition under Section 3 becomes operative and outline clear mechanisms for existing issuers to convert, redeem, or transition to compliance. Consistent with GDF's prior comments, we believe the scope should explicitly apply to stablecoins issued *in, to, or from* the United States to remove ambiguity over cross-border applicability.
- **Cross-border recognition and reciprocity:** Cross-border recognition and reciprocity, as now governed under Section 18 of the Act, should ensure that permitted payment stablecoins issued abroad under comparable regimes can be recognized without duplicative authorization. This will facilitate cross-border interoperability and uphold the principle of regulatory reciprocity, that is, mutual recognition of regimes with comparable prudential, reserve, and redemption standards (e.g., in future such regimes such as MiCA, the UK regime, or Singapore's PSA). Coordination with the BIS, FSB, IMF, and FATF should also be pursued to support convergence on high-level definitions and reserve quality expectations.
- **Permitted issuer framework:** The regulations should set clear eligibility criteria for PPSIs, encompassing both insured depository institutions and federally qualified non-bank issuers under equivalent supervisory oversight. Reserve requirements should mandate a full one-to-one reserve backing ratio, with assets held in segregated, stress-tested accounts at credible financial institutions, and support the use of tokenized or digitally native reserve instruments to ensure future-proof design.
- **Technological and operational risk management:** PPSIs should be subject to appropriate technical audits covering key aspects of the technology underpinning stablecoins such as smart-contract code integrity, cybersecurity, resilience, and disaster-recovery capabilities. Ongoing reassessment following any material system update should be required.
- **Consumer and market integrity protections:** Regulations should include provisions for transparency, redemption rights, privacy and data protection, complaint-handling, and high standards of business ethics. Clear wind-down planning and redemption at par value are essential to safeguard consumers and maintain systemic confidence.

- **Proportionate penalties and enforcement:** GDF recommends a graduated enforcement model, distinguishing intentional misconduct (e.g., fraudulent issuance or misrepresentation of reserves) from inadvertent technical breaches. Enforcement should prioritize remediation and compliance assistance before recourse to punitive sanctions, maintaining proportionality and supporting responsible innovation.

Overall, we believe that section 3(a) provides an essential foundation for a safe and credible stablecoin ecosystem. To achieve its policy intent, implementing regulations should:

- Establish clear scope, timing, and transitional provisions;
- Uphold reciprocity and non-discriminatory cross-border access;
- Integrate robust but proportionate prudential and technological safeguards; and
- Preserve space for innovation, competition, and interoperability.

This balanced approach will enable the U.S. to maintain global leadership in the responsible development of payment stablecoins while safeguarding financial stability and consumer trust.

2. Should Treasury issue regulations providing for safe harbors from Section 3(a)? If so, what factors should Treasury consider in adopting these regulations? Would it be better to observe the operation of Section 3(a) for a period of time before considering safe harbors, or are safe harbors necessary as soon as Section 3(a) becomes operational?

Yes, GDF strongly supports the establishment of limited, conditional safe harbors under Section 3(c) to ensure an orderly and proportionate implementation of the prohibition in Section 3(a). Immediate, time-bound safe harbors at the commencement of the regime would mitigate transition risks and provide legal certainty for existing participants. Delaying such provisions until after implementation could create cliff-edge effects, disrupt liquidity, and disadvantage responsible issuers already operating with prudential controls. We recommend the following categories, timings, and penalties for implementing safe harbors:

We also believe that Treasury should design safe harbors within the parameters of Section 3(c), limited in scope and duration, and consistent with the Act's objectives of safety, soundness, and consumer protection. These safe harbors should not be construed as substitutes for the reciprocity framework established under Section 18. Reciprocity governs cross-border recognition and market access, whereas safe harbors under Section 3(a) should focus on transitional and domestic continuity arrangements.

Recommended categories of safe harbors include:

(a) Transitional licensing safe harbor for U.S.-based issuers that apply for Permitted Payment Stablecoin Issuer (PPSI) authorization within a defined timeframe and maintain baseline reserve, redemption, and disclosure obligations while their application is under review.

To preserve market integrity and consumer protection during this interim period, Treasury may wish to consider reasonable activity limitations for participants operating under transitional status. These could include permitting issuers to maintain existing circulation, honor redemptions, and manage reserves, while restricting material expansion of issuance or active marketing until full authorization is granted.

Issuers should also remain fully subject to AML/CFT, sanctions, and disclosure obligations, including maintaining one-to-one reserve backing and minimum capital thresholds. This structure would allow continuity of operations and consumer confidence without introducing undue regulatory or prudential risk, while ensuring that transitional licenses function as controlled, time-bound pathways to full compliance rather than open-ended exemption. (b) De minimis or pilot-scale safe harbor to permit limited-volume issuance under supervisory monitoring, supporting innovation and data collection without compromising financial stability.

This safe harbor is intended primarily for new stablecoin issuances or pilot programs, not for existing regulated issuers expanding established products. Its purpose is to enable prospective PPSI applicants, including start-ups or smaller entrants, to issue and operate within clearly defined thresholds while building compliance systems and supervisory relationships.

To avoid regulatory arbitrage, Treasury could differentiate between:

- New market entrants applying for PPSI authorization, who may issue within a low-volume cap under heightened reporting and monitoring requirements; and

- Existing licensed entities, which should not use this safe harbor to expand market capitalization of already approved stablecoins, but may utilise pilot provisions only for discrete, novel instruments or use-case testing.

  (c) Continuity-of-operations safe harbor allowing issuers in wind-down or migration phases to redeem outstanding stablecoins and protect customers while ceasing issuance activity.

Furthermore, we also believe that to qualify for and maintain safe-harbor status, issuers should demonstrate compliance with minimum standards including:

- Full one-to-one reserve backing held in segregated accounts with credible financial institutions, subject to stress testing and audit;
- Transparent reserve disclosure and clear redemption processes at par value;
- Regular technical audits addressing code integrity, cybersecurity, and operational resilience;
- Compliance with the Bank Secrecy Act, sanctions obligations, and privacy and consumer-protection standards;
- Ongoing reporting to Treasury or the primary supervisory authority on circulation, reserves, and incident management.

Treasury should also make clear that any safe-harbor arrangement does not override the prohibitions in Section 3(b) relating to offers or sales of foreign-issued payment stablecoins. Foreign entities seeking to issue or distribute stablecoins in the United States must meet the reciprocity and recognition requirements of Section 18 which we expand upon further in our response. However, Treasury may consider a narrow, time-limited bridge mechanism allowing eligible foreign issuers to operate under a safe harbor while transitioning into the Section 18 reciprocity framework once implementing rules are established. Such a bridge should be conditional on demonstrated home-jurisdiction supervision and equivalent reserve, redemption, and disclosure standards, and should automatically sunset if the foreign regime is later found not to be "substantially similar." This approach would enable orderly market participation without weakening the reciprocity principle or creating regulatory arbitrage.

Safe harbors should be explicitly time-limited (for example, twelve to twenty-four months), subject to renewal only where justified by market conditions. Issuers should be required to report quarterly to regulators, and safe-harbor status should automatically expire upon authorization, revocation for non-compliance, or the expiry of the statutory window.

Penalties outside the safe harbor should remain proportionate, distinguishing intentional misconduct from good-faith transitional non-compliance. Enforcement should prioritize remediation and supervisory engagement before recourse to punitive measures.

Overall, we believe that safe harbors under Section 3(c) should be available immediately upon the Act's operational date, carefully circumscribed in scope and duration, and designed to bridge towards full authorization or, where applicable, future recognition under Section 18. This approach balances market continuity and innovation with the Act's overarching objectives of stability, consumer protection, and regulatory coherence.

3. Is the scope of the term "payment stablecoin" sufficiently clear as defined in the GENIUS Act? If not, what additional clarification should be provided?

Overall, GDF believes the scope to be clear and supports dedicated definition for "payment stablecoin" in the GENIUS Act and note that the final text establishes a functional perimeter centered on use as a means of payment or settlement and an issuer's obligation to redeem for a fixed amount of monetary value. This approach provides clarity for consumers, issuers, and supervisors while excluding algorithmic, crypto-collateralized, and purely speculative instruments that do not require issuers to use widely accepted and liquid reserves for redemption and other user assurances. In support of this we would note a few key areas where further clarification and specificity could be provided in Treasury guidance

While also expanded upon later in our response we also believe that consistent with Section 18 of the Act, Treasury should coordinate with foreign regulators to functionally align the U.S. definition of "payment stablecoin" with equivalent categories in other jurisdictions, such as MiCA's "e-money tokens" and the UK FCA's "regulated stablecoins." Functional alignment and mutual recognition will facilitate cross-border use, interoperability, and reciprocity for U.S. permitted issuers operating abroad.

3(a) Implementation should remain technology-neutral and outcome-based, focusing on reserves quality, redemption at par, disclosure, operational resilience, and AML/CFT and sanctions controls rather than prescribing specific technical architectures. Proportionality is critical: a graduated enforcement model that distinguishes deliberate misconduct from operational immaturity will maintain consumer protection and market integrity while preserving space for responsible innovation. Treasury guidance should avoid endorsing any vendor, software, or protocol and instead describe minimum evidence standards—covering governance, testing, and recordkeeping—that examiners can apply consistently across diverse implementations.

4. Is the scope of the term "digital asset service provider" sufficiently clear as defined in the GENIUS Act? If not, what additional clarification should be provided?

Yes, overall GDF welcomes the inclusion of an explicit and activity-based definition of "Digital Asset Service Provider" (DASP) in the GENIUS Act. The final text appropriately captures entities conducting intermediary or custodial functions for compensation, profit, or activities financial in nature, while explicitly excluding distributed-ledger protocols, validators, immutable and self-custodial software interfaces, and liquidity-pool participants. This functional differentiation aligns with industry's longstanding position that regulation should apply to intermediate entities offering financial services, not to the underlying technology or open-source development. In support of this, we would highlight the following areas where additional clarification may be beneficial:

- **Scope and functional clarity:** The statutory definition provides a sound foundation for regulatory delineation. However, Treasury should provide interpretive guidance to confirm that the phrase *"engages in the business in the United States (including on behalf of customers or users in the United States)"* refers to the location of activity or customer base, not merely the accessibility of an online service. Clarifying the jurisdictional nexus will prevent uncertainty for foreign firms whose services are incidentally accessible in the U.S. but not actively marketed or operated there. We also recommend clarifying, for the avoidance of doubt what is considered a *'financial service'*.
- **Compensation and profit test:** Treasury may wish to clarify how "for compensation or profit" will be assessed, particularly for decentralised or open-source models that use token-based incentives. Defining this threshold will help determine when an activity transitions from a technology function to a regulated service. This clarification should be principles-based and technologically neutral, recognizing that compensation may include monetary or non-monetary forms.
- **Intermediated versus self-hosted functions:** The Act's exclusions in subsection (B) are a major step forward. Treasury should reinforce, through rulemaking or guidance, that the exclusions cover self-custodial wallet providers, developers of publicly available smart-contracts, and decentralised-protocol participants who do not take possession or control of assets. This clarity will maintain regulatory proportionality and support open-source innovation while ensuring that consumer-facing intermediaries remain within scope.
- **Boundary with payment stablecoin issuers:** Treasury should confirm that PPSIs regulated under Section 3 and Section 4 are not separately deemed DASPs for their issuance activities. PPSIs may, however, fall within the DASP perimeter for other regulated functions such as custody or exchange, and guidance should explain how overlapping obligations will be coordinated across supervisory frameworks.
- **Cross-border alignment and reciprocity:** Given the global reach of digital-asset markets, the DASP definition should be interpreted consistently with Section 18 (Reciprocity for Stablecoins Issued in Foreign Jurisdictions) and with international frameworks such as the Financial Stability Board's taxonomy of crypto-asset service providers and the EU's MiCA regime. Functional equivalence across jurisdictions will help facilitate reciprocity, reduce duplicative regulation, and promote consistent supervisory outcomes.

Overall, we believe that the DASP definition in the GENIUS Act appropriately captures intermediated financial activities and excludes underlying technological operations. This can be further strengthened by Treasury issuing interpretive guidance clarifying the jurisdictional nexus, profit threshold, and coordination between DASP and PPSI frameworks, while maintaining alignment with global definitions. These steps will ensure that the U.S. regime remains clear, proportionate, and innovation neutral.

5. Is the extraterritorial application sufficiently clear as stated in the GENIUS Act? If not, what additional clarification should be provided?

Yes, we believe that Section 3(e) of the GENIUS Act clearly establishes extraterritorial intent, extending the prohibition on offers or sales of payment stablecoins to conduct involving persons located in the United States. Treasury could now further clarify which elements of a transaction fall within that scope and what constitutes "located in the United States" to ensure proportionate application and avoid uncertainty for foreign firms and intermediaries.

To do so, we recommend that Treasury define a clear jurisdictional nexus based on active commercial engagement, such as marketing, solicitation, or onboarding of U.S. customers, rather than passive website accessibility or incidental exposure through global platforms. Activities such as redemption, issuance, or ongoing management directed toward U.S. persons should be considered in scope, whereas purely offshore secondary trading without U.S. solicitation should fall outside.

Clarification should also cover the meaning of "persons located in the United States"—for instance, whether this includes physical presence, habitual residence, citizenship, or use of U.S. infrastructure (such as a U.S. bank account or IP address). A narrow, activity-based definition would reduce inadvertent extraterritorial reach and align with principles used under comparable financial-services and sanctions frameworks.

Finally, Treasury should make clear that passive accessibility alone does not constitute a violation. If a foreign service is marketed and operated entirely outside the U.S. but can be accessed incidentally by U.S. persons via a non-U.S. platform, this should not, on its own, trigger enforcement. This proportional approach would uphold the GENIUS Act's intent to prevent circumvention of the PPSI perimeter without penalizing legitimate cross-border innovation.

Implementing rules should also clarify how the reciprocity framework under Section 18 interacts with this provision, setting out how foreign issuers can demonstrate technological and supervisory capability to comply with U.S. requirements. Once recognized, such issuers should be treated as compliant for the purposes of Section 3(b)(2).

Treasury should also confirm that compliance obligations rest with intermediaries, digital asset service providers that offer or sell stablecoins, rather than with distributed-ledger protocols or developers, consistent with the exclusions in Section 2(14)(B).

Finally, Treasury should coordinate with international counterparts, including the BIS, FSB, and FATF, to ensure consistent interpretation of cross-border offers and reciprocal enforcement standards.

Overall, we believe that Treasury's implementing rules should clarify the jurisdictional nexus for extraterritorial application, its coordination with Section 18 reciprocity, and the allocation of obligations to intermediaries. This will ensure proportionate, enforceable, and internationally consistent implementation of the Act.

6. How should payment stablecoins not issued by a PPSI be treated for accounting purposes under Section 3(g)(1)?

Section 3(g)(1) clearly provides that payment stablecoins not issued by a PPSI may not be treated as cash or cash equivalents for accounting purposes. To further support this, we fully agree that Treasury's rulemaking should focus on clarifying the practical accounting treatment of such instruments to ensure consistent application across firms.

Non-PPSI stablecoins should be treated as digital financial assets subject to fair-value or investment-asset classification under applicable accounting standards, depending on holding purpose and risk profile. Treasury, in coordination with the other appropriate public sector bodies, should provide interpretive guidance on disclosure, impairment, and valuation methods to promote transparency and comparability.

GDF also recommends that Treasury confirm that PPSI-issued stablecoins, once recognized under the Act, may be treated as cash equivalents where redemption rights are enforceable and reserves are fully backed, thereby maintaining alignment with existing financial-reporting conventions.

7. Are any regulations or guidance necessary to clarify any aspects of this treatment provision?

Section 3(h) appropriately establishes exemptions from the prohibitions in Section 3 for peer-to-peer transfers, self-custody, and individual cross-border account movements. These carve-outs are essential to preserve personal autonomy, technological neutrality, and the lawful use of self-hosted wallets. We support further guidance from Treasury on the following issues to further clarify their practical boundaries without narrowing their intent.

First, through guidance, Treasury should confirm that "individuals acting on their own behalf" includes natural persons using self-custodial wallets for lawful purposes, and that incidental use of third-party infrastructure (e.g., blockchain nodes or wallet interfaces) does not remove the exemption.

With respect to Section 3(h)(ii), covering transfers between an individual's accounts in the United States and abroad offered by the same parent company, Treasury should clarify that this provision is intended for custodial or hosted accounts, not for purely self-custodial wallets, which are inherently borderless and do not involve an intermediary. In practice, this exemption would therefore apply where an individual maintains two custodial accounts (for example, with the same exchange or wallet provider) under different regulatory entities or jurisdictions, and transfers funds between them without any third-party intermediation.

Such clarification would align the exemption with its policy intent, to avoid penalizing legitimate, self-directed movement of funds between an individual's own accounts, while ensuring it cannot be used to obscure intermediated or commercial activity.

Treasury may also wish to provide interpretive examples to help firms and individuals distinguish exempt personal activity from intermediated or commercial transfers, ensuring consistency with the exclusions for distributed-ledger protocols and self-custodial software under Section 2(14)(B).

Overall, GDF believes that Treasury should issue targeted guidance, rather than new regulation, to clarify the scope of the exemptions in Section 3(h), ensuring that peer-to-peer transfers, self-custody, and individual cross-border movements remain protected while maintaining safeguards against illicit or intermediated misuse.

8. Are any regulations or guidance necessary to clarify the scope of these exempted transactions?

Yes, as noted in our above response to Question 7, Treasury should issue concise interpretive guidance to confirm the scope of the exemptions in Section 3(h). This should clarify that the peer-to-peer, self-custody, and intra-account exemptions cover lawful, self-directed activity by individuals and are not narrowed by the incidental use of public-blockchain infrastructure or wallet software.

We also believe that simple illustrative examples could further distinguish exempt personal transfers from intermediated or commercial activity involving digital asset service providers.

9. Are there any other terms in Section 3 that would benefit from additional clarification or interpretation?

Yes, we would highlight the additional terms where GDF believes that Treasury could consider targeted clarification through rulemaking or interpretive guidance on several remaining terms in Section 3 to ensure consistent application and avoid unintended compliance burdens:

- **"Offer, sell, or otherwise make available":** The phrase "otherwise make available" could be interpreted broadly, potentially capturing passive listings or protocol-level interoperability. We believe that Treasury should clarify that the prohibition targets active commercial conduct—such as solicitation or distribution—rather than incidental or technical availability on global platforms.
- **"Person located in the United States":** The extraterritorial clause in Section 3(e) depends upon this phrase, yet we would note that its scope is undefined. Treasury should specify how location will be determined (e.g., residence, primary account domicile, or habitual location) and provide guidance for complex cases such as dual-residency, travel, or VPN use. Clear parameters will help firms implement effective compliance controls without over-restricting global activity.
- **"Direct transfer … without the involvement of an intermediary":** Within the exemptions in Section 3(h), Treasury should confirm that peer-to-peer transfers conducted using public-blockchain infrastructure remain exempt where no entity takes custody or acts as an intermediary. This would preserve the intent of the exemption while maintaining clear lines between personal and commercial activity.

- **"Knowing participation" in a violation:** Clarification of this enforcement standard would ensure proportional and predictable application of penalties. Treasury should define whether "knowing participation" requires intent, recklessness, or awareness of unlawful conduct, aligning interpretation with comparable standards in financial-crime and securities enforcement.

Overall, GDF believes that Treasury's implementing rules and guidance should clarify these remaining terms to ensure proportionate enforcement, consistent cross-border application, and preservation of lawful self-directed digital-asset activity under Section 3.

10. Are any regulations or guidance necessary to clarify the scope of the reserve requirements in Section 4(a) or the requirement to publish the composition of the reserves?

11. How will FPSIs determine the liquidity demands of U.S. customers in such a way that will be sufficient to maintain compliance with the obligation to hold reserves in U.S. financial institutions as set forth in Section 18(a)(3)?

12. Are any regulations necessary to clarify requirements related to the holding of reserve assets? In particular, is additional clarity necessary regarding the extent to which reserve assets are required to, or should, be held in custody?

Yes, overall, we believe that Treasury's implementing regulations should clarify reserve custody expectations while recognizing the important role of state-chartered trusts and state-level pathways in the GENIUS framework. GDF believes that the Act's objectives can best be achieved by codifying the principles of safety, transparency, and accountability that have underpinned successful state regimes, most notably the New York Department of Financial Services (NYDFS), which has several years of supervisory experience overseeing fiat-backed stablecoin reserves.

GDF encourages Treasury to codify the continued eligibility of state-chartered trust companies to hold and safeguard stablecoin reserves, provided they operate under comparable prudential standards and federal–state coordination. Regulations should promote alignment between federal and state oversight, ensuring that states adopt key principles of the GENIUS framework while retaining flexibility for innovation and proportional implementation.

Core principles that we believe could apply across both federal and state-chartered issuers include:

- **1:1 reserve backing** with high-quality, liquid assets;
- **Segregated custody** and prohibition of rehypothecation;
- **Independent review and attestation** of reserve assets;
- **Transparent disclosures** on reserve composition and custodial arrangements;
- **Enforceable redemption rights at par**; and
- **U.S. authorization or recognition** for any issuer marketing to U.S. consumers.

This approach would leverage existing state-level expertise while ensuring national consistency and consumer confidence, supporting a cohesive and innovation-friendly implementation of the GENIUS Act.

13. How do market participants currently meet existing jurisdictional reserve requirements to minimize settlement or liquidity risk across jurisdictions that may require local custody of such reserve assets?

14. Should any regulations be issued to clarify the meaning of "pay," "interest," "yield," "solely," or otherwise clarify the scope of Section 4(a)(11)? In particular, should any regulations be issued to clarify whether, and to what extent, any indirect payments are prohibited?

GDF supports Treasury issuing clarifications to ensure consistent interpretation of market terms. In particular we would draw a distinction between "interest," "yield," and "rewards" while also recognizing that these concepts carry established meanings across financial markets that may not directly align with digital-asset terminology.

In the broader market context:

- **Interest** refers to a contractual or periodic return to a holder on the basis of the time-value of money, such as coupon payments or bank deposit interest. It arises from a legally defined obligation of the issuer or borrower to pay a fixed or variable rate over time.

- **Yield** represents the effective rate of return derived from market-based performance, price movements, or reinvestment of underlying assets, capturing realized or expected returns linked to market exposure rather than contractual payment.

- **Rewards** should denote discretionary, opt-in, or promotional benefits offered to users, such as rebates or periodic token distributions based on wallet balances, that are not contractually guaranteed, do not reflect investment of reserves or exposure to market risk, and are analogous to consumer loyalty or cashback programs rather than investment returns.

In applying these distinctions, Treasury should make clear that Section 4(a)(11) is intended to prevent stablecoins from functioning as investment products through interest- or yield-bearing features, but not to restrict consumer-facing rewards that do not reflect investment risk. Guidance should therefore distinguish between market-based yield or contractual interest, which may raise securities-law implications, and non-financial promotional rewards, which do not.

GDF also urges Treasury to maintain the GENIUS Act's original intent and carefully negotiated solution, under which Section 4(a)(11) applies only to the payment of interest or yield by the issuer itself. The prohibition should not be expanded to capture indirect or third-party payments, as Congress did not include such language. Allowing consumers to receive rewards from intermediaries or platforms is consistent with the Act's policy objectives, supporting consumer choice, fostering healthy competition, and enabling innovation within a regulated framework.

This definitional clarity would align stablecoin treatment with established financial-market concepts while maintaining the GENIUS Act's purpose as a payments and prudential framework, not a vehicle for investment-product regulation.

15. Are any regulations or guidance necessary to clarify the scope or application of these provisions, including whether other terms used by PPSIs may be deceptive?

16. What additional clarification is necessary on the scope or application of these restrictions?

As noted in our above response to Q14 we believe that clear distinction between key terms will be crucial in order to clarify the scope and application of restrictions in such a way that maintains the GENIUS Act's purpose, but also still supports innovative market products.

17. What factors should the SCRC consider in making a finding that, if a non-financial company issues payment stablecoins, it will not pose a material risk to the safety and soundness of the U.S. banking system, the financial stability of the United States, or the Deposit Insurance Fund? Are there any factors that should be excluded from consideration?

18. What broad-based principles should be considered in determining whether a state-level regime is "substantially similar" to the federal regulatory framework? Are there any principles that should be excluded from consideration?

As a global members association, GDF does not take specific positions on state-level regulatory structures. However, we would propose the following high-level principles for Treasury's consideration which could guide any assessment of whether a state framework is "substantially similar" to the federal regime, particularly where cross-border interoperability and international recognition are relevant.

We would recommend that Treasury prioritize functional equivalence, ensuring that state regimes achieve comparable outcomes on prudential soundness, reserve quality, redemption rights, consumer protection, and supervision. The test could focus on regulatory objectives and enforceability, not identical rule text or institutional form.

However, building on the principles outlined in Q12, we do believe that Treasury should recognize the important role that state-chartered trust companies and licensing regimes can play in GENIUS implementation, provided they adhere to key prudential safeguards, namely 1:1 reserve backing, segregated custody, independent audit or attestation, transparent disclosures, and enforceable redemption at par. Alignment with these federal principles would ensure consistency across jurisdictions while allowing for state-based innovation and proportional oversight.

Consistency with federal transparency, disclosure, and supervisory standards will also be vital to maintain national uniformity and market confidence. At the same time, we believe that Treasury should apply principles of proportionality and interoperability, recognizing that comparable outcomes may be achieved through different supervisory models, including those already proven effective under state oversight (such as NYDFS). Finally, these same principles of proportionality and interoperability could guide alignment with comparable global regimes.

Principles that rely on state-specific economic development goals, preferential treatment of local institutions, or divergent definitions of key terms (such as "payment stablecoin" or "custody") may have grounds for exclusion, as they would likely undermine consistency and reciprocal recognition.

Overall, our recommendation is that Treasury should assess "substantial similarity" on the basis of outcomes, supervisory reliability, and interoperability with federal and international frameworks, avoiding criteria that encourage fragmentation or competitive disparity between jurisdictions.

19. How is a determination that a state-level regime is "substantially similar" to the federal regulatory framework, as described in Sections 4(c)(1) and (2) of the GENIUS Act, similar to or different from a determination that a state-level regime "meets or exceeds the standards and requirements" for issuing payment stablecoins, as described in Section 4(c)(5)?

As noted in our response to Question 18, GDF does not take a position on U.S. state-level frameworks but as outlined in the principles above supports outcome-based assessments grounded in consistency, proportionality, and interoperability.

In this context, a finding of "substantial similarity" under Sections 4(c)(1)(2) should confirm that a state regime achieves comparable regulatory outcomes to the federal framework particularly on reserves, redemption, disclosure, and consumer protection without requiring identical rules.

By contrast, a finding that a regime "meets or exceeds" federal standards under Section 4(c)(5) should reflect demonstrably stronger prudential safeguards or supervisory practices that go beyond the baseline federal requirements. Treasury's rulemaking should clarify the evidentiary standard for this higher threshold and how such determinations interact with Section 4(e)(3), which prohibits marketing a product as a payment stablecoin unless issued in compliance with the GENIUS Act.

Overall, we believe that Treasury should align both determinations through transparent, outcome-based criteria, ensuring that the "substantial similarity" and "meets or exceeds" standards promote consistency and consumer protection without creating fragmentation or duplicative oversight.

20. To what extent does this prohibition overlap with (i) the prohibitions in Section 3, (ii) the prohibition on the use of deceptive names in Section 4(a)(9), or (iii) the prohibition on misrepresentation of insured status in Section 4(e)(2)?

21. Are any regulations or guidance necessary to clarify or implement this provision, including how the number of violations will be determined under Section 4(e)(3)(C)?

22. Are there any other terms in Section 4 that would benefit from additional clarification or interpretation?

Yes, beyond the other areas discussed in our response we would also raise the following terms and phrases in Section 4 which may merit further clarification through rulemaking or guidance to ensure consistent and practical implementation:

- **"Tailored to size and complexity" (Section 4(a)(4)):** The statute directs that capital, liquidity, and risk management requirements be tailored to issuer scale and complexity. We recommend that Treasury clarify how tiering or proportionality will work in practice, what thresholds, metrics, or phased transitions will distinguish "small vs large" PPSIs, and how to account for growth or cross-border activity.
- **"Technological capability to comply, and will comply, with lawful orders" (Section 4(a)(6)(B)):** This phrase is critical but open-ended. We recommend that Treasury provide guidance defining what "technological capability" entails (e.g., system access, data logging, freeze/forfeit mechanisms) and how compliance will be monitored, especially in distributed, cross-chain, or decentralised environments.

Illicit Finance

23. What should Treasury consider when promulgating regulations implementing Section 4(a)(5), including AML and sanctions programs, monitoring and reporting suspicious activity, and customer identification and due diligence? What, if any, unique features of PPSIs should Treasury consider?

GDF supports Treasury's objective to mitigate illicit finance while safeguarding technological neutrality and consumer privacy. Regulation should leverage existing BSA/AML obligations for intermediaries and avoid extending such requirements to protocol-level or self-custodial activities.

In addition, Treasury should explicitly clarify how existing Travel Rule obligations under the Bank Secrecy Act apply to Permitted Payment Stablecoin Issuers (PPSIs) and related intermediaries. Unlike traditional payment networks, stablecoin systems transmit value without accompanying contextual or identity data, meaning pre-transaction compliance checks are critical to effective oversight. Treasury should require PPSIs to collect, verify, and securely transmit originator and beneficiary information on a pre-transaction basis, ensuring compliance occurs before a transaction is executed on-chain.

To operationalize this, Treasury should promote open, interoperable standards for the Travel Rule and transaction authorization, avoiding fragmentation through proprietary or closed systems. Encouraging open standards would enable PPSIs, exchanges, and financial institutions to exchange verified data efficiently across jurisdictions and support cross-border comparability and reciprocity under Section 18.

A useful global benchmark can be found in Hong Kong's AML/CFT Guideline for Licensed Stablecoin Issuers, which embeds pre-transaction compliance and interoperable Travel Rule solutions directly into system design. Treasury could draw on this model to ensure GENIUS-compliant PPSIs achieve equivalent financial-integrity outcomes while maintaining technological flexibility.

More broadly, AML regulations should build on the existing framework for money services businesses (MSBs) while leveraging the unique characteristics of blockchain technology to enhance effectiveness. This includes using blockchain analytics to flag suspicious activity, trace illicit flows, and categorize low-risk transactions so compliance officers can focus on higher-risk cases. Treasury should encourage both industry and regulators to adopt blockchain-based AML solutions, while avoiding overly prescriptive technical mandates that could inhibit innovation.

Finally, any implementing regulation should also preserve the viability of self-custody and peer-to-peer transactions for lawful purposes, ensuring that AML obligations remain proportionate and do not impose undue restrictions on individual users or non-custodial technologies.

24. What should Treasury consider when promulgating a regulation implementing Section 4(a)(5)(A)(iv)? How do payment stablecoin issuers anticipate implementing technical capabilities, policies, and procedures to block, freeze, and reject specific or impermissible transactions that violate federal or state laws, rules, or regulations, including transactions involving the secondary market, such as those that involve sanctioned persons or countries?

GDF believes that Treasury should calibrate AML and sanctions obligations using a risk-based, activity-focused approach consistent with FATF Recommendation 15 and FinCEN's existing guidance for convertible virtual assets. Requirements should focus on intermediated functions (issuers, custodians, and exchanges) rather than protocol-level or self-hosted activity. GDF encourages Treasury to support the use of privacy-enhancing technologies and blockchain analytics that enable compliance while protecting legitimate user privacy. Clear expectations on Travel Rule implementation, suspicious-activity reporting thresholds, and information-sharing will foster consistency without stifling innovation.

To strengthen these safeguards, Treasury should encourage PPSIs to integrate "authorization-before-settlement" mechanisms that enable sanctions screening, Travel Rule data exchange, and counterparty due diligence before a transaction executes. Embedding these compliance controls directly into stablecoin infrastructure would restore institutional ability to block or reject impermissible transactions, mitigate sanctions risk, and ensure pre-transaction accountability.

Collectively, these measures would align Section 4(a)(5) implementation with global best practice, supporting high standards of financial integrity and international interoperability while preserving technological innovation in digital payments.

25. What, if any, regulations or guidance would help clarify the obligations in Section 4(a)(6)(B) to have the technological capability to comply, and to comply, with any lawful order?

Treasury should define "technological capability to comply" in functional terms (traceability, sanctions screening, and lawful-order execution) without prescribing architectures or mandating protocol changes. Compliance can be demonstrated either directly or through qualified service providers, subject to audit. GDF recommends Treasury recognize emerging standards on privacy-preserving compliance, including zero-knowledge proofs and PET frameworks developed by NIST and the Royal Society, as acceptable means of evidencing compliance in distributed environments.

26. What factors should Treasury consider in determining whether a noncompliant FPSI has cured its noncompliance in accordance with Section 8(b)(3)? What kinds of evidence or commitments should Treasury require?

27. What else should Treasury consider in promulgating a regulation related to Section 8 of the GENIUS Act, including its ability to issue licenses and waivers?

GDF suggests that Treasury provide clear standards and time limits for waivers or temporary exemptions to prevent arbitrary decision-making. These could mirror transitional licensing models in MiCA and the UK's temporary permissions regime.

28. In the economic sanctions context, lawful orders will include sanctions designations. The persons and property subject to blocking will be identified with reasonable particularity by the publication of identifying information for such persons and property on Treasury's Office of Foreign Assets Control's Specially Designated Nationals List. If regulation or guidance is promulgated, what kind of considerations and provisions should it include to clarify the requirement to comply with lawful orders in the economic sanctions context?

GDF fully supports Treasury's efforts to uphold U.S. and international sanctions and encourages continued coordination between PPSIs, regulators, and law-enforcement authorities to ensure effective compliance.

However, Treasury should make clear that PPSI obligations apply to their direct customers and counterparties, consistent with established financial-intermediation models, rather than to downstream or secondary transactions beyond the issuer's control. PPSIs should not be held liable for sanctions breaches solely because a stablecoin they issued is later used in a prohibited transaction by unrelated third parties.

Guidance should therefore emphasize that the primary screening and blocking responsibilities rest at the point of issuance, redemption, and customer onboarding. Subsequent compliance obligations should align with the risk-based principles of the BSA/AML framework and OFAC expectations for intermediated activities. This approach preserves robust sanctions enforcement while maintaining proportionality and operational feasibility within the GENIUS framework.

Foreign Payment Stablecoin Issuers

29. For the purpose of identifying existing foreign payment stablecoin regulatory and supervisory regimes, are there certain characteristics of a "payment stablecoin" recognized in the market that differ from how this term is defined in the GENIUS Act?

The following are some key differences in how payment stablecoins are characterized globally, which reflect nuanced but reconcilable variations rather than fundamental divergence from the GENIUS Act framework.

In some jurisdictions, stablecoins may be defined by reference to their value-stabilization mechanism or reference asset, rather than the issuer's explicit redemption obligation. Some frameworks therefore encompass asset-referenced or basket-backed tokens that maintain stability through multiple fiat or commodity exposures, rather than a single-currency redemption claim.

Definitions also vary in whether they require a specific use case, such as payments or settlement. Many regimes capture stablecoins used for broader financial or transactional purposes, including trading or collateral management, whereas the GENIUS Act confines scope to tokens used or designed for payment and settlement.

There are also differences in how issuer type and authorization are treated. Some jurisdictions limit issuance to licensed financial institutions or payment providers, while others allow non-bank entities under separate supervisory regimes. The GENIUS definition is technology-neutral but linked to a clear prudential perimeter through the concept of a Permitted Payment Stablecoin Issuer.

Finally, certain regimes distinguish between single-currency and multi-currency or basket-referenced designs, whereas the GENIUS Act defines "payment stablecoin" more broadly as a redeemable claim for a fixed amount of monetary value, without specifying denomination.

Overall, we recommend that Treasury recognize these differences as nuanced rather than incompatible, focusing on functional equivalence for redeemability, reserve quality, supervisory oversight, and consumer protection when assessing comparability of foreign regimes under Section 18.

30. Are there foreign payment stablecoin regulatory or supervisory regimes, or regimes in development, that may be comparable to the regime established under the GENIUS Act? Are there foreign regimes that are in effect, or in development, that materially differ from the regime under the GENIUS Act?

Yes, GDF strongly supports Treasury prioritizing comparability assessments for mature or near-final regimes such as those in the UK, EU, Hong Kong, UAE, Singapore, and Japan. Each is advancing frameworks centered on issuer authorization, par-redemption, high-quality reserves, segregation, disclosures, and ongoing supervision which are principles that are directionally consistent with GENIUS and suitable for Section 18 determinations. Expanding on this we would note:

- **EU (MiCA):** EMTs and ARTs with authorization and prudential/disclosure standards; EMTs (single-fiat e-money-like tokens) are the closest analogue to GENIUS payment stablecoins.
- **UK:** HMT/FCA/BoE proposals for payments/systemic stablecoin oversight; FCA's 2025 work on issuance/custody/financial resilience underscores a pathway to comparability once finalized.
- **Hong Kong:** Fiat-Referenced Stablecoin regime now in effect with licensing for issuers and offer/marketing controls and is well aligned to a par-redemption model.
- **UAE:** ADGM FSRA Dedicated Fiat-Referenced Token framework for single-fiat tokens issued under FSRA oversight; disclosures, reserve and prudential guardrails are set out.
- **Singapore:** MAS Single-Currency Stablecoin framework (SCS) with par-redemption, reserve quality, segregation, and monthly attestations.
- **Japan**: Stablecoins as Electronic Payment Instruments under the PSA with issuer-type restrictions (banks, trusts, licensed transfer providers) and redemption controls.

Overall, we believe that Treasury should pursue Section 18 comparability determinations with the UK, EU, Hong Kong, ADGM, Singapore, and Japan as priority candidates, using an outcome-based test focused on enforceable par-redemption, reserve quality/segregation, disclosures/audit, and credible supervision, recognizing structural differences but anchoring on functional equivalence

31. What types of differences from the regime under the GENIUS Act, if any, could create market frictions in international digital assets activity?

GDF acknowledges that differences in stablecoin regulatory design across jurisdictions can create operational and compliance frictions even when regimes share common policy objectives. The following types of divergence are most likely to hinder cross-border activity and reciprocal market access. However, as set out before we do not believe that these challenges are insurmountable, instead they can be addressed through focusing on functional equivalence and building on historic principles of deference mechanisms and established tenants for cross-border financial services activity. That said, we would highlight following as differences which should be addressed in reciprocal provisions in order to minimize market frictions:

- **Scope and definitions:** Varying definitions of "stablecoin" (for example, inclusion of multi-asset or crypto-collateralized tokens in some regimes versus GENIUS's narrower, fiat-redeemable model) may complicate comparability and market entry. Treasury should emphasize outcome-based equivalence focusing on stable value, redemption, and oversight, rather than identical terminology.

- **Issuer authorization and supervision:** Differences in who may issue (e.g., banks only, non-banks under licensing, or hybrid models) and in supervisory intensity can lead to duplicative or conflicting requirements for multi-jurisdictional issuers. Alignment on core prudential expectations such as reserves, segregation, and audits would reduce friction.
- **Reserve composition and disclosure rules:** Heterogeneous rules on eligible assets, maturity limits, and audit frequency increase operational cost and fragment liquidity pools. Mutual recognition of equivalent reserve standards would enhance fungibility and interoperability of compliant stablecoins.
- **Redemption rights and settlement frameworks:** Varying redemption timelines and dispute-resolution mechanisms can deter cross-border use for payments or settlement. Greater convergence on enforceable, timely redemption standards would facilitate international usage.
- **Marketing and naming restrictions:** Differences in permitted terminology (for instance, use of "USD" or "stablecoin" labels) may impede global branding and consumer clarity. Coordinated guidance on naming conventions could reduce confusion.

Overall, we believe that Treasury should pursue comparability arrangements that minimize definitional, prudential, and disclosure divergences while maintaining safety and consumer protection. Working towards global convergence which is anchored in par-redemption, transparent reserves, and credible supervision will mitigate frictions and support efficient cross-border digital-asset activity.

32. As Treasury identifies factors for determining whether a foreign jurisdiction has a regulatory and supervisory regime that is comparable to the requirements established under the GENIUS Act, including standards for issuing payment stablecoins provided in Section 4(a), what specific factors should Treasury consider, including factors that should disqualify a foreign jurisdiction from being determined to be comparable? Are there factors that should be excluded from consideration?

GDF believes that Treasury's approach to comparability should be grounded in the same outcome-based and functional-equivalence principles discussed throughout our response. The objective should be to recognize regimes that deliver substantially similar protections and prudential outcomes, even if regulatory structures differ.

Key factors for comparability should include:

- **Legal clarity and redemption rights** – an enforceable, par-value redemption obligation against a clearly identified issuer or custodian.
- **Reserve quality and segregation** – high-quality, liquid assets held on a one-to-one basis, subject to regular attestation and bankruptcy-remote custody.
- **Supervisory oversight** – authorization, examination, and enforcement powers equivalent in scope to those applied under the GENIUS Act, including fit-and-proper standards for management.

- **Transparency and disclosure** – public reporting of reserve composition, governance, and redemption processes at a frequency and level of detail comparable to Section 4(a).
- **Consumer and market integrity protections** – clear conduct standards, complaints handling, and AML/CFT controls consistent with FATF principles.
- **Operational resilience** – sound governance, cybersecurity, and contingency arrangements proportionate to the issuer's scale.

A regime should **not** be disqualified solely because it follows a different legal form or institutional model, provided these outcomes are achieved. Disqualification should arise only where (i) redemption rights are not legally enforceable, (ii) reserves are not fully or transparently backed, or (iii) supervisory authorities lack the capacity or mandate to ensure compliance.

Factors that we believe should be excluded from consideration include political alignment, market size, or domestic-currency denomination, as these do not bear on regulatory comparability or consumer protection.

Overall, we believe that Treasury should apply an outcomes-based test focused on redemption, reserve integrity, supervision, transparency, and consumer protection, while recognizing that structural and institutional variations across jurisdictions can still produce equivalent regulatory results. This principle of functional reciprocity will underpin effective global alignment under Section 18.

33. To what extent should Treasury consider a foreign jurisdiction's willingness and ability to enforce the prohibitions in Sections 4(a)(9), 4(e)(2), and 4(e)(3), as related to misrepresentations of U.S. government support or that of the foreign government, as a factor in comparability determinations under Section 18(b)?

Treasury should treat a jurisdiction's willingness and ability to prevent and enforce against misrepresentation and deceptive marketing as an essential component of comparability under Section 18(b). Enforcement capacity in this area is a key indicator of supervisory credibility and consumer protection outcomes, which are central to the GENIUS framework.

When assessing foreign regimes, we recommend that Treasury consider whether the jurisdiction's legal and supervisory framework provides:

- Clear prohibitions on false or misleading representations about official backing or deposit insurance;
- Active monitoring and enforcement mechanisms for breaches, including marketing and disclosure oversight; and
- Demonstrable cooperation with international partners through established information-sharing and enforcement channels.

Alignment with FATF Recommendation 15 and the broader FATF standards on supervision, transparency, and cross-border cooperation should also be viewed as a strong proxy for enforcement readiness. Jurisdictions that demonstrate effective implementation of FATF's risk-based supervisory approach are more likely to uphold the same consumer-protection and integrity objectives embedded in Sections 4(a)(9), 4(e)(2), and 4(e)(3).

Overall, we believe that Treasury should include enforcement capacity and adherence to international conduct-integrity standards, particularly those consistent with FATF, as a core comparability factor. Jurisdictions lacking mechanisms to deter or sanction misrepresentation of official backing should not qualify until such safeguards are demonstrably in place.

34. How should Treasury interpret "interoperability" in Section 18(d)(1)(C), describing "interoperability with U.S.-dollar denominated payment stablecoins issued overseas?" What technical, legal, regulatory, or other measures are most relevant for interoperability? To what extent should compliance with any interoperability standards issued under Section 12 be required under reciprocal arrangements or other agreements entered into under Section 18(d)?

We believe that Treasury should interpret "interoperability" within Section 18(d)(1)(C) as encompassing regulatory, operational, and market-level reciprocity, not only technical connection between networks. Interoperability should enable mutual access, settlement, and redemption between permitted payment stablecoins issued under comparable regimes, ensuring that compliant U.S.-dollar stablecoins and foreign-issued equivalents can operate seamlessly and with legal certainty across jurisdictions.

GDF feels strongly that regulatory interoperability means recognizing functionally equivalent prudential, reserve, and disclosure standards, so that stablecoins issued under one regime can be treated as compliant when operating within another. Operational interoperability refers to the ability to clear, settle, and redeem across systems that meet comparable safeguards, whether on-chain or through intermediated channels.

Drawing from GDF's prior recommendations, reciprocal arrangements under Section 18(d) should also advance three reinforcing forms of reciprocity:

- **Regulatory reciprocity** – mutual recognition of comparable licensing, supervision, and reserve frameworks, preventing discriminatory treatment of U.S.-issued or foreign-issued stablecoins.
- **Market-access reciprocity** – equal ability for compliant U.S. stablecoins to operate abroad where foreign stablecoins enjoy access to U.S. markets.
- **Clearing and settlement reciprocity** – assurance that properly regulated stablecoins are treated as equivalent to fiat for payments and settlement within participating jurisdictions.

Interoperability standards issued under Section 12 should guide these arrangements but remain principles-based, focused on message integrity, data standards, AML/CFT compliance, and settlement finality, avoiding prescriptive technology mandates. Alignment with international standard-setters (BIS, FSB, IMF, and FATF) would reinforce global consistency and risk-based cooperation.

Overall, GDF believes that treasury should view interoperability under Section 18(d) as the practical expression of reciprocity, encompassing technical connectivity, regulatory equivalence, and market-access symmetry. Compliance with Section 12 standards should be encouraged through mutual recognition frameworks, ensuring global fungibility of regulated payment stablecoins while maintaining financial-integrity safeguards.

35. What information should U.S. authorities require from a FPSI registered under Section 18(c), and in what format(s) should such information be made available, to ensure that U.S. customers understand how to demand timely redemption of the instrument?

We believe that Treasury should require that FPSIs registered under Section 18(c) provide U.S. customers with clear, accessible, and standardized disclosures that explain the redemption process in a manner that ensures both legal clarity and operational simplicity These disclosures should be designed to promote informed consumer understanding of redemption rights and mechanisms—addressing the who, how, when, and under what conditions redemption may occur—in line with the GENIUS Act's statutory requirements regarding transparency and financial integrity.
Specifically, FPSIs registered under Section 18(c) should be required to disclose the following:

- **Issuer Identity and Jurisdiction**: Legal name, regulatory home jurisdiction, and primary supervisory authority.
- **Redemption Mechanics**: Step-by-step instructions on how a U.S. person may initiate redemption, including any intermediary platforms (*e.g.,* wallets, custodians, exchanges) authorized to process redemptions.
- **Timeframes and Conditions**: Estimated time to settlement, redemption limits (if any), and conditions that may delay or deny redemption (*e.g.,* compliance with sanctions or KYC checks).
- **Reserve Composition & Valuation**: General description of the assets backing the stablecoin, including whether reserves are held onshore or offshore, and whether they are subject to third-party assurance or audits.
- **Redress Mechanisms**: Contact details for consumer inquiries or complaints, escalation pathways, and reference to any applicable dispute resolution frameworks.

Disclosure Format
Disclosures should be made available in plain language and accessible via:

- The FPSI's public-facing website;
- A standardized "Redemption Information Statement" filed with Treasury and made publicly available via a central registry (similar to a Form ADV);
- Embedded in the user interface of participating platforms (*e.g.,* apps, custodial wallets, OTC portals) through layered digital disclosures;
- Machine-readable formats (*e.g.,* JSON/XML) for third-party compliance tools and aggregators.

Overall, we believe that Treasury should view the disclosure obligation not merely as a consumer protection mechanism, but as an opportunity to promote market discipline by enabling comparability across FPSIs, reduce informational asymmetries in the cross-border stablecoin market, and support responsible innovation through transparency and accountability.

36. Are any regulations or guidance necessary to clarify the prohibition on offers and sales of payment stablecoins issued by foreign issuers in the United States under Section 3(b)(2) of the GENIUS Act, including the requirement that an FPSI have the "technological capability" for compliance?

We believe that Treasury should issue additional regulations or interpretive guidance clarifying the meaning and operational scope of the "technological capability" requirement under Section 3(b)(2) of the GENIUS Act. Without further detail, this phrase risks introducing ambiguity for

FPSIs seeking to offer stablecoins in the U.S. market, particularly in relation to the precise systems and controls necessary to comply with Title I obligations.
The phrase "technological capability" for compliance is overly broad and may discourage participation by responsible FPSIs absent further specificity. We recommend that Treasury include clarity on the following:

- **Scope of Required Capabilities** – Treasury should outline the core compliance functions that FPSIs must perform technologically, rather than prescribing specific technologies, such as transaction screening (*e.g.,* AML, OFAC sanctions), geolocation blocking, wallet monitoring, data retention, and reporting to U.S. authorities. The use of on-chain monitoring tools, APIs for sanctions list updates, and multi-signature or smart contract controls should be recognized as acceptable mechanisms.
- **Direct vs. Delegated Control** – Treasury should make clear that "technological capability" may be satisfied either by the FPSI directly or through contractual arrangements with qualified service providers (*e.g.*, custodians, trust companies, compliance analytics vendors), consistent with how compliance infrastructure is outsourced in other areas of financial regulation.
- **Prohibited Activities Absent Registration** – Treasury should clarify that non-registered FPSIs may not directly offer or market stablecoins to U.S. persons, but that indirect exposure (*e.g.,* secondary market trading) may fall outside the prohibition so long as the FPSI has not engaged in active solicitation. A safe harbor or interpretive note on "de minimis" incidental access could help mitigate uncertainty.

Overall, we believe that Treasury should ensure that this provision is implemented in a way that preserves the GENIUS Act's guardrails while providing regulatory certainty to FPSIs, enabling the development of robust compliance systems tailored to cross-border operations and diverse technical stacks.

Taxation

37. To what extent would guidance from the IRS on the classification of payment stablecoins be necessary or helpful to taxpayers?

Overall, GDF believes that clear guidance from the IRS would be highly beneficial to provide taxpayers, payment providers, and regulators with certainty on the treatment of payment stablecoins for tax purposes.

GDF also recommends that transactions involving payment stablecoins not constitute taxable events, consistent with their statutory purpose as instruments of payment and settlement rather than investment or speculative assets. Treating ordinary stablecoin payments as non-taxable would facilitate their legitimate use in commerce and reduce friction for consumers and businesses adopting digital payment methods.

Additionally, to further support clarity and compliance, payment stablecoins should be exempt from Form 1099-DA reporting requirements, reflecting their function as cash-equivalent instruments rather than capital assets.

Finally, GDF recommends that payment stablecoins be excluded from the wash-sale rule under Section 1091 of the Internal Revenue Code, as they are designed to maintain parity with a fixed monetary value and do not exhibit the price volatility that the rule seeks to address. Their one-to-one redemption structure, as defined under GENIUS, eliminates the potential for tax-motivated loss recognition.

Together, we believe that these measures would align tax treatment with the GENIUS Act's intent, supporting the use of regulated payment stablecoins as efficient, low-risk digital representations of U.S. dollars in everyday transactions.

38. What other topics, if any, should any such tax guidance address? Which issues should be the highest priority items to address?

Insurance

39. How should implementation of the GENIUS Act take into account insurance industry practices related to payment stablecoins, the development of insurance markets related to payment stablecoins, the activities of domestic and foreign insurers and reinsurers regarding payment stablecoins, and the provision of insurance coverages relevant to payment stablecoins?

40. How should GENIUS Act implementation take into account the types and amounts of insurance coverage that should be purchased by PPSIs or FPSIs?

41. What should Treasury consider regarding the possibility of insurers acting as PPSIs, FPSIs, or digital asset service providers, including with respect to insurance reserving practices and regulatory requirements?

42. What other topics should Treasury consider with respect to the impact of the GENIUS Act and its implementation on the insurance industry? Which issues should be the highest priority items for Treasury to consider?

Economic Data

43. What are the estimated one-time and ongoing costs for PPSIs and FPSIs to comply with the requirements under the GENIUS Act, including licensing, disclosure, and AML and sanctions program requirements?

GDF believes that Treasury's cost-benefit assessment should recognize that clarity reduces compliance overhead over time. Initial implementation costs may be offset by lower legal uncertainty, improved supervisory coordination, and expanded institutional participation. GDF encourages Treasury to consider proportional cost benchmarks, scaling requirements by issuer size and activity, so smaller entrants can innovate responsibly while maintaining equivalent consumer protection outcomes.

44. What are the expected legal and enforcement costs for PPSIs and FPSIs associated with GENIUS Act compliance, including litigation-related expenses?

45. What are the potential costs associated with registration under state regimes as compared to federal regimes, including any administrative burdens or impacts on innovation?

46. What are the potential advantages of registering under state regimes compared to federal regimes, particularly in terms of administrative efficiency and support for innovation?

47. The GENIUS Act establishes federal safeguards to protect consumers. How should the economic benefits of consumer protection be measured?

48. How do you expect illicit finance activity involving payment stablecoins and efforts to combat that activity to change due to GENIUS Act requirements for PPSIs related to AML and sanctions?

Illicit finance activity involving payment stablecoins should decrease as a result of the GENIUS Act. By bringing issuers and intermediaries within a clear regulatory perimeter and subjecting them to AML, CFT, and sanctions obligations, the Act will significantly improve transparency, traceability, and supervisory oversight. The industry's integration into established compliance frameworks will enhance data quality, facilitate information sharing, and strengthen global coordination against illicit activity.

49. What are the economic benefits of aligning U.S. stablecoin rules with foreign regimes (e.g., reduced friction and increased access)?

GDF firmly believes that aligning U.S. stablecoin regulation with comparable foreign regimes would deliver material economic, strategic, and systemic benefits. Regulatory alignment, built on reciprocity and functional equivalence, reduces friction in cross-border payments and unlocks access to new markets while maintaining financial integrity and consumer protection.

From an economic perspective, alignment enables scalable cross-border settlement, lower transaction costs, and more efficient liquidity management for firms operating internationally.

It supports the development of interoperable, dollar-denominated digital payment rails that can complement traditional correspondent banking, enhancing competitiveness for U.S. financial institutions and FinTechs.

Reciprocity also acts as a growth strategy: by recognizing comparable regimes abroad, the U.S. can expand the global use of compliant, dollar-backed stablecoins, reinforcing the dollar's role as the leading settlement and reserve currency in the digital era. This would help anchor international trust in regulated U.S. digital-asset markets and strengthen demand for U.S.-issued safe assets.

Alignment with trusted jurisdictions would further encourage private-sector innovation, investment, and participation by mainstream financial actors, who benefit from legal certainty and harmonized compliance obligations. It would also create a framework for global supervisory cooperation, reducing fragmentation and enhancing systemic resilience.

Overall, GDF believes that Treasury should view international alignment not merely as a compliance exercise but as a strategic economic opportunity. Reciprocity and regulatory interoperability can extend the reach of dollar-backed stablecoins, support U.S. leadership in digital finance, and create more efficient, inclusive global payment infrastructure grounded in clear, risk-based regulation.

50. What is the estimated improvement in compliance efficiency and market participation due to clearer regulatory guidance as compared to the environment before the enactment of the GENIUS Act?

The GENIUS Act is expected to deliver a significant improvement in both compliance efficiency and market participation by providing long-awaited legal clarity and a unified supervisory framework. Clear, proportionate rules will reduce duplicative licensing, streamline AML and disclosure processes, and lower entry barriers for responsible issuers and intermediaries.

As compliance costs stabilize and regulatory expectations become predictable, more institutional participants are likely to enter the market, driving deeper liquidity, higher transparency, and stronger consumer trust. Overall, the Act should markedly enhance regulatory efficiency while broadening safe, compliant participation in the U.S. digital-asset ecosystem.

51. What is the projected impact of regulatory clarity on startup formation, venture investment, and product innovation?

Regulatory clarity under the GENIUS Act is expected to catalyze startup formation, investment, and innovation by reducing legal uncertainty and signaling long-term policy stability. Clear rules for issuance, reserve management, and compliance will allow innovators to design products with confidence, attract institutional capital, and integrate with mainstream financial infrastructure.

Venture and strategic investors have consistently cited regulatory ambiguity as the primary barrier to U.S. digital-asset investment. By establishing a transparent, risk-based framework, the GENIUS Act will redirect capital toward compliant innovators, foster responsible experimentation, and strengthen the U.S. position as a global hub for digital finance innovation.

52. What is the estimated impact from the adoption of payment stablecoins on transaction, processing, and settlement fees, failure rates, and timelines, as compared to existing payments systems?

53. What is the estimated impact of PPSIs and FPSIs on the demand for Treasury securities, repurchase agreements and reverse repurchase agreements that are eligible reserve assets under Sec. 4(a)(1)(A)?

Other Topics

54. Are any regulations or guidance necessary to address risks associated with the resolution of a bankrupt or failed PPSI, including those that may have stablecoins in international circulation?

GDF believes that Treasury should coordinate with the FDIC and other prudential authorities to develop guidance on resolution planning for PPSIs. Clear rules on reserve segregation, redemption hierarchy, and customer priority are critical to preserve market confidence. We recommend aligning with the FSB *Key Attributes of Effective Resolution Regimes* to ensure stablecoin holders have bankruptcy-remote claims and to facilitate cross-border cooperation where reserves or users are located abroad.

55. What types of conflicts of interest might arise for stablecoin issuers, and what safeguards might enable stakeholders to be confident in a fair market?

56. Which of the topics addressed in this ANPRM are most critical for establishing the GENIUS Act regulatory framework? Are there any other factors Treasury should consider in sequencing and prioritizing these rulemakings?

57. Are there other topics not addressed in this ANPRM that should be considered in future Treasury rulemakings?

58. What is the projected impact of regulatory clarity on demand for payment stablecoins?

Regulatory clarity under the GENIUS Act is likely to increase both retail and institutional demand for payment stablecoins. By establishing clear standards for issuance, reserves, redemption, and supervision, the Act enhances trust and reduces perceived risk, key drivers of adoption.

Institutional participants will be more willing to integrate compliant stablecoins into payment, settlement, and liquidity operations once governance and prudential frameworks are standardized. At the same time, retail users are expected to show greater confidence in using regulated, dollar-backed stablecoins for payments and savings, further strengthening network effects and overall market depth.

In aggregate, the GENIUS framework should accelerate mainstream adoption and position regulated stablecoins as a credible component of the U.S. and global payments landscape.