



Federal Regulation of Payment Stablecoins Underway

Client Advisories

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As part of Congress' effort to provide clarity and legal guidance in digital assets, the Guiding and Establishing National Innovation for U.S. Stablecoins Act, or Genius Act, was signed into law on July 18, 2025. The Genius Act establishes a comprehensive regulatory framework for payment stablecoins.

What is a stablecoin?

A stablecoin is a digital asset with a value pegged to a specific asset, such as a fiat currency. Stablecoins are issued by private companies and typically transacted using blockchain technology. Stablecoins are usually collateralized by fiat currency or equivalents, such as United States treasuries. Non-collateralized, or algorithmic, stablecoins do not maintain collateral reserves, but rather use algorithms to adjust the supply of the stablecoin to maintain price stability.

What is a payment stablecoin?

Under the Genius Act, a payment stablecoin, subject to certain exceptions, is a digital asset that is, or is designed to be, used as a means of payment or settlement, the issuer of which (i) is obligated to convert, redeem or repurchase it for a fixed amount of money, and (ii) represents that it will maintain, or create the reasonable expectation that it will maintain, a stable value relative to the value of a fixed amount of monetary value.

Who does the Genius Act regulate?

The unregulated world of stablecoins triggered existing federal regulators to seek to wedge stablecoins into their respective legislative structures. However, existing legislation did not adequately address perceived risks while also creating confusion in the industry.

The Genius Act was adopted to require any issuer to be licensed as a "permitted payment stablecoin issuer" before issuing a payment stablecoin in the United States. Federal licensing as a permitted payment stablecoin issuer will be mandatory except that smaller issuers may elect state licensing if such state enacts a regulatory

structure similar to the Genius Act. Issuers will be subject to certain regulatory obligations, including maintaining minimum reserve requirements, audit and reporting, and anti-money laundering.

When does the Genius Act become effective?

Over the next year, federal and state regulators are to develop and adopt regulations implementing the Genius Act. The Genius Act will take effect on the earlier of January 18, 2027, which is eighteen months after enactment, or 120 days following the issuance of final implementing regulations.

What's next?

The 119th Congress is considering other legislation in digital assets. Such bills include the Clarity Act, which establishes a regulatory framework for blockchain-based digital commodities and delineates responsibility between regulators, including the CFTC and the SEC, and the Anti-CBDC Surveillance State Act, which limits the Federal Reserves' ability to issue a central bank digital currency.

For questions, please contact **James Smith** at jsmith@archerlaw.com.

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