

Special Update

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The GENIUS Act

Summary

On July 18, 2025, President Donald J. Trump signed the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act into law, marking a historic milestone as the first major U.S. federal legislation regulating cryptocurrencies, specifically stablecoins. This report provides a detailed analysis of the GENIUS Act, stablecoin definition, key provisions of the law, implications for the cryptocurrency industry, and the context surrounding its passage. The signing ceremony, held in the East Room of the White House, was celebrated as a step toward positioning the United States as the global leader in digital assets. The report draws on credible sources, including news outlets, government websites, and industry analyses, to provide a comprehensive overview.

Stablecoin Background and Legislative Journey

A stablecoin is a type of cryptocurrency designed to maintain a stable value by pegging it to a reserve asset, such as the U.S. dollar, other fiat currencies, or commodities like gold, thereby minimizing the price volatility common in cryptocurrencies like Bitcoin. Typically, stablecoins are backed on a 1:1 basis, meaning each coin is supported by an equivalent amount of the underlying asset held in reserve, ensuring stability and trust for use in transactions, remittances, or as a store of value. They can be issued by centralized entities, such as companies holding fiat reserves, or decentralized protocols using algorithms or over-collateralized crypto assets. The recently enacted GENIUS Act in the U.S. regulates payment stablecoins, requiring issuers to maintain full reserves, comply with anti-money laundering rules, and adhere to federal or state oversight, fostering their integration into the financial system (Cointelegraph, 2025; Morgan Lewis, 2025).



The Senate passed the GENIUS Act on June 17, 2025, with a bipartisan vote of 68-30, supported by a majority of Republicans and approximately half of Democrats (Wikipedia, 2025). The House of Representatives faced initial resistance from a group of conservative Republicans, who stalled a procedural vote on July 15, 2025, during what was dubbed "Crypto Week." After negotiations, including a compromise to tie the Anti-Central Bank Digital Currency (CBDC) Act to the National Defense Authorization Act (NDAA), the House passed the GENIUS Act on July 17, 2025, with a vote of 308-122, garnering support from 206 Republicans and 102 Democrats (CBS News, 2025b; Forbes, 2025).

President Trump signed the bill into law on July 18, 2025, during a White House ceremony, emphasizing its role in making the U.S. the "crypto capital of the world" (White House, 2025; Fox News, 2025). The legislation is set to take effect 18 months after signing or 120 days after federal regulators, including the Treasury and Federal Reserve, issue final regulations (Cointelegraph, 2025).

Key Provisions of the GENIUS Act

The GENIUS Act establishes a comprehensive regulatory framework for payment stablecoins, focusing on consumer protection, financial stability, and U.S. economic leadership. Its key provisions include:

- **Reserve Requirements:** Stablecoin issuers must maintain reserves on a 1:1 basis with U.S. dollars or other low-risk, liquid assets, such as U.S. Treasuries. This ensures stability and trust in stablecoins (White House, 2025; Morgan Lewis, 2025).
- **Regulatory Oversight:** Only permitted issuer—subsidiaries of insured depository institutions, federal-qualified nonbank payment stablecoin issuers, or state-qualified issuers with a stablecoin issuance of \$10 billion or less—can issue stablecoins. Issuers are subject to federal or state regulation, with federal oversight by agencies like the Office of the Comptroller of the Currency (OCC) and state oversight for smaller issuers (Congress.gov, 2025a; Congress.gov, 2025b).
- **Consumer Protection:** In case of issuer insolvency, stablecoin holders have priority over other creditors, safeguarding their investments. Issuers must publicly disclose reserve compositions monthly and provide annual audited financial statements for those with over \$50 billion in market capitalization (Morgan Lewis, 2025; Senate Banking Committee, 2025).



- **Anti-Money Laundering and Sanctions Compliance:** Stablecoin issuers are subject to the Bank Secrecy Act, requiring robust anti-money laundering (AML) and sanctions compliance programs, including risk assessments and customer identification. Issuers must have the technical capability to seize, freeze, or burn stablecoins when legally required (White House, 2025; Morgan Lewis, 2025).
- **Interoperability Standards:** Federal and state regulators, in consultation with the National Institute of Standards and Technology, must establish standards to promote compatibility and interoperability among stablecoin systems (Congress.gov, 2025a).
- **Foreign Issuers:** Foreign stablecoin issuers can operate in the U.S. if they comply with comparable regulations, as determined by the Treasury Department. Non-compliant foreign stablecoins will be prohibited three years after enactment (Cointelegraph, 2025).
- **Prohibition on Interest or Yield:** The Act bans stablecoin issuers from offering interest or yield to holders, addressing concerns about speculative financial products (Cointelegraph, 2025).
- **Conflict-of-Interest Measures:** The Act prohibits members of Congress and senior executive branch officials from issuing stablecoin products during their public service tenure, addressing concerns about potential conflicts, particularly related to President Trump's cryptocurrency ventures (ABC News, 2025).

The Act also mandates a study on endogenously collateralized stablecoins within 365 days of enactment and requires regulators to submit a rulemaking status update to Congress within six months (Congress.gov, 2025a).

Implications and Industry Impact

The GENIUS Act is poised to transform the stablecoin market, currently valued at approximately \$195 billion, with projections suggesting growth to over \$2 trillion (WIRED, 2025). By providing regulatory clarity, the legislation is expected to:

- **Enhance Consumer Trust:** The 1:1 reserve requirement and priority repayment in insolvency cases reduce risks for consumers, addressing past incidents like the 2023 depegging of USDC and DAI due to bank failures (CBS News, 2025c).
- **Drive Innovation and Competition:** Experts predict an influx of new stablecoin issuers, including traditional banks and fintech firms, fostering competition and innovation in digital payments (WIRED, 2025; ABC News, 2025).



- **Strengthen U.S. Dollar Dominance:** By requiring stablecoin reserves to include U.S. Treasuries, the Act is expected to increase demand for U.S. debt, reinforcing the dollar's status as the global reserve currency (White House, 2025).
- **Boost U.S. Competitiveness:** The legislation positions the U.S. as a leader in digital assets, countering competition from China and Europe (CBS News, 2025a; Fox News, 2025).

However, critics, including Senator Elizabeth Warren (D-MA), argue that the Act's regulations are insufficient, potentially exposing consumers to risks and legitimizing stablecoins without adequate oversight. Concerns also persist about President Trump's personal financial interests in cryptocurrencies, including his family's involvement with World Liberty Financial, which issued the USD1 stablecoin (ABC News, 2025; Forbes, 2025).

Political and Social Impact

The passage of the GENIUS Act reflects a broader shift in U.S. policy toward embracing cryptocurrencies, driven by President Trump's campaign promise to make the U.S. the "crypto capital of the planet" (Fox News, 2025). The crypto industry's significant financial support for pro-crypto candidates in the 2024 elections, including contributions from figures like Cameron and Tyler Winklevoss, bolstered the bill's momentum (CBS News, 2025a). The bipartisan support, with 18 Senate Democrats and 102 House Democrats voting in favor, underscores the growing acceptance of digital assets across political lines (Wikipedia, 2025; CBS News, 2025b).

However, the legislative process faced challenges. A group of conservative Republicans, led by figures like Rep. Chip Roy (R-TX), initially opposed the bill, demanding its linkage with the Anti-CBDC Act to prevent the Federal Reserve from issuing a central bank digital currency. This opposition was resolved through negotiations, with President Trump personally engaging holdouts (CBS News, 2025b; Forbes, 2025).


Public sentiment, as reflected on X, was mixed. Supporters celebrated the Act as a step toward innovation and economic leadership, while critics highlighted potential risks and delays in implementation (X Post by @ChifoiCristian, 2025; X Post by @UnfollowTrump, 2025).



Conclusion

The signing of the GENIUS Act on July 18, 2025, by President Donald J. Trump represents a landmark achievement for the U.S. cryptocurrency industry. By establishing a regulatory framework for stablecoins, the Act aims to protect consumers, foster innovation, and cement U.S. leadership in digital assets. While it has garnered significant bipartisan support, concerns about consumer protections and potential conflicts of interest remain. The Act's success will depend on the effective implementation of regulations by federal and state authorities over the next 18 months.

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