anchorage digital bank

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Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street SW, Suite 1E–216
Washington, DC 20219

RE: Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency

To Whom It May Concern:

Anchorage Digital Bank National Association ("ADB") appreciates the opportunity to comment on the OCC's notice of proposed rulemaking, *Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency* (the "NPRM"). ADB has operated as a federally chartered bank regulated by the United States Office of the Comptroller of the Currency (the "OCC") for over five years. During this time period, it has become the industry leader in digital asset custody—designed for security and asset accessibility—with tens of billions of digital assets under custody for institutional clients. In 2025, ADB also became the first federally chartered stablecoin issuer, and it expects to become a permitted payment stablecoin issuer ("PPSI") pursuant to the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the "GENIUS Act"), once effective.

We commend the OCC's efforts to implement the GENIUS Act: Developing a framework from the ground up to regulate a still-developing product is a unique challenge. Ultimately, the OCC's paramount concern should be preventing runs on and failures of stablecoins by establishing a prudential framework that can manage and mitigate any stresses that do manifest without transmission to other stablecoin issuers or underlying reserve assets. The NPRM, if finalized, generally would be effective in achieving these aims. But we believe that it could be strengthened further by maximizing stablecoin holders' certainty that PPSIs (or their successors) will be able to redeem payment stablecoins at par—even under significant stress or in the event of failure of the issuer—while maintaining the flexible, tailored approach contemplated by the GENIUS Act's focus on the operations of particular stablecoin issuers. This would allow each PPSI to adopt the operational model ensuring greatest stability under stress based upon the actual customer base and use cases of its stablecoins.

While the NPRM is oriented around establishing redemption certainty for the debtor/creditor issuance model used by many currently operating issuers, other issuance models that are expressly permitted under the GENIUS Act, such as ADB's, are as effective or better at achieving this objective, and should be accounted for under the NPRM. We believe there are certain elements of the proposed rule that do not consider alternative models, including requirements for reserve management, reserve diversification, and redemption limitations, among others.

This comment therefore begins by providing an overview of ADB's issuance model, highlighting how it capitalizes on the flexibility contemplated under the Act to benefit holders of ADB-issued stablecoins. We then note where we believe that the NPRM would benefit from revision to improve redemption certainty and tailoring of prudential requirements for issuers who, like ADB, choose to hold stablecoin reserves in separate legal trusts for the benefit of stablecoin holders. We conclude by addressing certain other aspects of the NPRM that, based on ADB's experience as the first federally chartered institution in the U.S. to issue a payment stablecoin, we believe could be refined to better protect payment stablecoin issuers, users, and the strength and stability of the U.S. financial system by accounting for operational measures by PPSIs that would obviate the risks identified in the NPRM.

I. Summary of ADB's Stablecoin Issuance Model

a. Stablecoin Reserve Trusts

ADB currently issues three stablecoins—USAT, USDGO, and USDtb—that are backed one-to-one at all times by GENIUS Act-compliant reserves.[1] Reserves for these separate stablecoins are not commingled in custodial accounts. Instead, for each stablecoin, ADB has established a separate South Dakota express trust (each, a "Stablecoin Reserve Trust"); reserves are held by the Stablecoin Reserve Trust for the applicable stablecoin and are managed by ADB, which serves as grantor and trustee of the trust.

Property is conveyed to the Stablecoin Reserve Trust as follows:

- *First*, ADB, as issuer of the payment stablecoin, issues each token in exchange for payment of USD $1.00 from the payment stablecoin holder.

- *Second*, ADB, acting in its corporate capacity as grantor of the Stablecoin Reserve Trust, transfers and conveys all proceeds received from such issuance transactions to the Stablecoin Reserve Trust.

[1] ADB issues these stablecoins for its brand partners, which include Tether for USAT, OSL Group for USDGO, and Ethena for USDtb. ADB expects to begin issuing a fourth stablecoin, UDSPT, with its brand partner Western Union, in the near future.

- *Third*, ADB immediately receives these proceeds on behalf of the Stablecoin Reserve Trust as trustee.
    - The proceeds become trust property and ADB, as trustee, is obligated to hold, safeguard, invest and administer prudently such assets backing the stablecoin to support ADB's obligation to redeem the stablecoin.
    - Stablecoin holders are contingent beneficiaries of the Stablecoin Reserve Trust.

- *Fourth*, when holders present their payment stablecoins to ADB for redemption, they become vested beneficiaries of the Stablecoin Reserve Trust. ADB, as trustee, is obligated to redeem the stablecoins at par out of the assets held by the Stablecoin Reserve Trust. The holder's beneficial interest is extinguished upon fulfillment of the redemption payment.

This Stablecoin Reserve Trust model offers significant benefits to stablecoin holders, to stablecoin issuers, and to stablecoin supervisors. For example: separation of the reserve assets for each stablecoin issued by ADB provides clear delineation between the reserve assets and ADB's own assets, consistent with the GENIUS Act's requirements, and clear separation from the assets backing other ADB-issued stablecoins, reducing the risk of contagion across ADB-issued stablecoins. The Stablecoin Reserve Trust structure also benefits both holders and receivers in the event of ADB's failure. Rather than a receiving a superpriority in bankruptcy under Section 11 of the GENIUS Act, holders of ADB-issued stablecoins would bypass ADB's receivership entirely in the event of its failure because assets for which ADB serves as fiduciary are excluded from its receivership estate entirely under 12 C.F.R. § 51.7(b) and must be transferred to a successor fiduciary and custodian, who would be able to continue managing reserve assets and administering redemptions with minimal interruption.[2] The stablecoin issuer's supervisor likewise benefits from the easier execution and reduced cost of a simple resolution mechanism. Finally, as discussed further in Part I.b, below, ADB has fiduciary duties as trustee to manage reserve assets to preserve stablecoin holders' ability to redeem held coins at par, which provides further assurance to stablecoin holders that the reserves are maintained to provide one-to-one dollar redemption.

[2] Additionally, the OCC would have broad latitude in determining which entity to appoint as successor fiduciary custodian and trustee. Under South Dakota Law, any "bank or trust company organized and doing trust business under the laws of any state or territory of the United States of America, including the District of Columbia, other than South Dakota, and a national bank, duly authorized so to act, may be appointed and may serve in this state as trustee, whether of a corporation or personal trust, personal representative, guardian, conservator, or committee for an incompetent person, or in any other fiduciary capacity, whether the appointment is by will, deed, court order, or decree, or otherwise, when and to the extent that the state, territory, or district in which the bank or trust company is organized or has its principal place of business grants authority to serve in like fiduciary capacities to a bank or trust company organized and doing business under the laws of this state." S.D.C.L. § 51A-5-8. Any national bank with fiduciary powers, and any state bank or trust company with fiduciary powers in a state that grants reciprocal recognition to the fiduciary power of South Dakota state entities, could validly be appointed trustee of a South Dakota express trust. Most states have adopted reciprocity statutes satisfying the conditions for recognition in South Dakota.

While ADB is the first stablecoin issuer to have adopted this structure, ADB is not the only institution affected by the viability of this model. Because a separate legal structure is created to hold reserves, the Stablecoin Reserve Trust inherently satisfies the segregation requirements under Section 10(c)(1) of the GENIUS Act. Any PPSI may therefore hold reserves using a Stablecoin Reserve Trust consistent with the requirements established under the GENIUS Act provided that the remaining requirements under Section 4 are observed and the Stablecoin Reserve Trust custodies assets consistent with the remaining custody limitations under Section 10.

Moreover, the Stablecoin Reserve Trust structure is available to any uninsured national bank PPSI with fiduciary powers under 12 U.S.C. § 92a. ADB exercises its fiduciary powers in serving as trustee of an express, revocable trust established under South Dakota law, but the structure of the Stablecoin Reserve Trusts is not a unique creature of South Dakota—the definition of the beneficiary class in the Stablecoin Reserve Trusts' written trust instruments is grounded in common law trust principles that are recognized across U.S. jurisdictions. While ADB has not conducted a comprehensive survey of U.S. law to confirm availability of the Stablecoin Reserve Trust structure in all jurisdictions because ADB's fiduciary powers are grounded in South Dakota law under § 92a, ADB's understanding is that the Stablecoin Reserve Trusts could be replicated under the law of any U.S. jurisdiction.

b. Stablecoin Reserve Management

As trustee of the Stablecoin Reserve Trusts, ADB retains legal control of reserve assets held in each Trust and therefore maintains the operational ability to ensure compliance with the GENIUS Act's requirements at all times. ADB also has a fiduciary obligation to hold, invest, and manage the reserves held in the trust in a manner that ensures all persons holding ADB-issued stablecoins are able to redeem their stablecoins at par in a timely manner.

ADB meets this fiduciary obligation by ensuring that reserve assets are appropriately tailored to the demands of a particular stablecoin's holders. Historically, this has resulted in reserve compositions that employ significant volumes of tokenized, GENIUS-compliant money market funds (MMFs) due to the strong liquidity profile of tokenized MMFs, which generally settle to cash on a same-day or next-day basis. Tokenized MMFs also present less counterparty credit risk than other asset classes with comparable liquidity, such as uninsured deposits held in demand deposit accounts at FDIC-insured institutions, because the value of underlying assets—traditional assets including U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Treasury, and repurchase agreements secured by such obligations or cash—are not at risk of loss in the event of the bankruptcy or receivership of the fund's issuer.[3] To date, tokenized MMF reserves have been effective in

[3] *See*, *e.g.*, Anchorage Digital Bank, USDtb Reserve Report as of Feb. 28, 2026 (Mar. 27, 2026), https://learn.anchorage.com/02.28.26_USDtb-Stablecoin-Attestation-Report.pdf?_gl=1*lqmrpe*_gcl_au*MjA1OTY2NTU5MC4xNzc2NzI4NzYw (reporting approximately $9.5 million in cash held directly in demand deposit accounts at FDIC-insured institutions and

meeting the liquidity needs of the Stablecoin Reserve Trusts, and no ADB-issued stablecoin has experienced a de-peg or other liquidity event.

Government MMFs and tokenized MMFs comprise a significant portion of the reserve assets of ADB-issued stablecoins today. ADB makes ongoing adjustments to the reserve composition of its stablecoins pursuant to its written Stablecoin Reserve Portfolio Management Policy in order to ensure stablecoin reserves are well-tailored to meet the current redemption patterns and the ongoing demands and use cases of stablecoin users. It is ADB's experience and expectation that customer use cases and redemption demands are, and will continue to be, flexible and evolving. For example, USDtb—a stablecoin issued by ADB in partnership with Ethena—is primarily used as the reserve asset within the Ethena DeFi ecosystem. Redemption levels and outstanding issuance in USDtb are highly correlated with DeFi market activity, with redemption lower and outstanding issuance higher when DeFi markets are attractive to potential users of USDtb and redemption higher and outstanding issuance lower when other markets or products offer more attractive returns. ADB likewise expects redemption patterns for USDPT, a stablecoin that it will issue in partnership with Western Union, to evolve along with its use cases. Redemption levels may be elevated relative to outstanding issuance when the stablecoin launches, as Western Union customers may likely use the product to facilitate international money transfers. But redemption levels should fall as the product gains broader adoption, and acceptance as a payment mechanism, in target markets. All this is to say that redemption levels are likely to vary with use cases and over time with innovation in payment stablecoin ecosystems.

II. Protecting Certainty of Redemption

Providing stablecoin holders with certainty that they may redeem their stablecoins at par is a fundamental objective of the GENIUS Act and the most critical element of any stablecoin regulatory regime. If payment stablecoin holders doubt that their payment stablecoins will be redeemed on a one-to-one basis, they will be more likely to redeem during circumstances presenting elevated risk to either the ongoing operations of the PPSI (e.g., a cyber-risk event) or to the credit quality of the underlying assets (e.g., in response to significant changes in interest rates). A lack of certainty allows for the formation of significant wrong-way risks by encouraging holders to redeem *en masse* when the issuer or the financial system, as applicable, are least able to accommodate those redemptions, either due to competing operational demands or instability in markets for underlying reserve assets.

approximately $882.6 million in tokenized versions of the BlackRock ICS US Dollar Liquidity Fund (BUIDL), a money market fund managed by BlackRock, Inc.); Anchorage Digital Bank, USDGO Reserve Report as of Feb. 28, 2026 (Mar. 27, 2026), https://learn.anchorage.com/02.28.26_USDGO-Stablecoin-Attestation-Report.pdf?_gl=1*lqmrpe*_gcl_au*MjA1OTY2NTU5MC4xNzc2NzI4NzYw (reporting approximately $5.1 million in cash held directly in demand deposit accounts at FDIC-insured institutions and approximately $45.1 million in tokenized BUIDL).

The GENIUS Act and the NPRM aim to protect stablecoin holders' certainty that their assets will be redeemed in two ways: by providing stablecoin holders with clear disclosures regarding the quantity and insolvency treatment of reserve assets;[4] and by requiring PPSIs to hold reserve assets of both sufficient credit quality and liquidity to maintain the ability to meet redemptions even under significant stress.[5] While ADB believes that the NPRM generally does an effective job in promoting both objectives, there are several areas in which the NPRM could be enhanced to more effectively achieve both objectives.

a. Providing Clarity

i. Stablecoin Reserve Trust Reporting

The NPRM states that the OCC anticipates reserve assets administered by a PPSI will be recorded in the quarterly reports required under proposed § 15.14(i) and on Call Report Schedule RC, Balance Sheet. While this is reasonable for PPSIs that employ a traditional debtor-creditor model or do not submit a quarterly Call Report, it may cause significant confusion if stablecoin reserve assets disclosed under § 15.14(i) do not directly match their corresponding line item on schedule RC of the Call Report. Further, PPSIs that employ a Stablecoin Reserve Trust model are strongly incented to ensure that assets held in the Stablecoin Reserve Trust are appropriately listed on Schedule RC-T of the Call Report so that stablecoin holders would more clearly benefit from the streamlined transfer of trusteeship in a resolution, as described in Part I.a, above.

The OCC should provide clear guidance for regulatory reporting of stablecoin reserve assets, either in the preamble to its final rule or in revisions to the Call Report instructions. This guidance should reflect the fact that PPSIs may adopt different models that warrant different reporting. For example, ADB and other PPSIs that adopt a Stablecoin Reserve Trust model should be instructed to report assets in a single Call Report field on the Schedule RC-T that matches the PPSI's monthly attestation reports as of the same date as the relevant Call Report and accommodates separate reporting of the stablecoin reserve assets held in each Stablecoin Reserve Trust in order to minimize customer confusion. Indeed, reporting assets in a Stablecoin Reserve Trust as balance sheet assets on the Call Report would be actively misleading, suggesting that these assets are available to satisfy the claims of creditors and support issuer operations when that is not the case. However, PPSIs that adopt a creditor/debtor model would report stablecoin reserve assets on Schedule RC, Balance Sheet, consistent with the fact that stablecoin holders would be creditors of the PPSI in an insolvency proceeding.

However, in the event that the OCC determines to require all PPSIs to report of stablecoin reserve assets of a PPSI on the Schedule RC, Balance Sheet, it should, at a minimum, ensure that (i) assets held in a Stablecoin Reserve Trust are *also* reported on the Schedule RC-T, and

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4 *See*, *e.g.*, 12 U.S.C. §§ 5903(a)(2), (a)(3), (a)(10), 5909, 5910; proposed §§ 15.

5 *See*, *e.g.*, 12 U.S.C. §§ 5903(a)(1), (a)(4), 5905; proposed § 15.

(ii) reporting instructions result in a PPSI reporting consistent information across the Schedule RC, Balance Sheet, Schedule RC-T, and monthly reserve attestation. Mandating dual reporting on Schedule RC-T is not a technical administrative preference; it is a critical legal necessity for consumer protection in the event of a bank failure. The protection of stablecoin holders relies on the OCC's 'books and records doctrine' (codified in 12 C.F.R. § 51.8(b)), which shields fiduciary assets from general creditors only if they are clearly designated as such on the bank's books and records. If the OCC defers to GAAP and forces reserves to be consolidated solely on the corporate balance sheet (Schedule RC, Balance Sheet), the public Call Report will legally characterize customer funds as unencumbered assets of an uninsured national bank PPSI. Establishing a definitive 'fiduciary public record' via mandatory simultaneous reporting on Schedule RC-T would encode stablecoin holders' legal protections consistent with the books and records doctrine, preventing general creditors or bankruptcy trustees from citing the corporate Call Report to pierce the fiduciary veil and seize customer funds during an insolvency, in addition to reducing the risk of liquidity events resulting from customer confusion.

Consistent with the approach considered by the OCC in Question 132 of the NPRM, this would also mean that OCC would not require an institution employing a Stablecoin Reserve Trust model that currently files a Call Report to submit a standalone quarterly report under proposed § 15.14(i). Filing a GAAP-consolidated Call Report showing reserve assets on balance sheet alongside a statutory § 15.14(i) report showing those same funds as off-balance-sheet custodial reserves would create contradictory definitive public financial reporting to the same regulator. This regulatory friction risks severe market confusion regarding the issuer's true leverage. Instead, the streamlined metrics required under § 15.14(i) should be integrated directly into the Call Report structure (e.g., via an expanded Schedule RC-T or a dedicated Schedule RC-S) to ensure a single, coherent public record.

ii. Resolution of Uninsured National Bank PPSIs

As described in Part I.a, above, the OCC's procedures for transferring fiduciary appointments of an uninsured national trust bank under 12 C.F.R. Part 51 in the event of its resolution are a key advantage of the Stablecoin Reserve Trust structure for stablecoin holders and for stablecoin supervisors. Streamlined transfer of fiduciary appointments avoids both unnecessarily restricting holders from redemption during the pendency of insolvency proceedings and alleviates pressure on reserve asset classes by reducing the incentive to redeem early, before assets become entangled by insolvency.

Unfortunately, the NPRM does not clearly identify the insolvency proceedings that an uninsured national bank PPSI would be resolved under and how such resolutions would proceed. Indeed, as drafted, the NPRM arguably *creates* uncertainty by clarifying that uninsured national bank PPSIs are "depository institutions" for purposes of the GENIUS Act and the NPRM but declining to adopt specific resolution provisions relating to uninsured national bank PPSIs—"depository institutions" are subject to resolution by the Federal Deposit Insurance Corporation ("FDIC")

under Section 11(g)(1) of the GENIUS Act, but the bankruptcy superpriority established in Section 11(d) applies only in bankruptcy proceedings and not FDIC receiverships.

The OCC should ensure that its final rules implementing the GENIUS Act clearly address the resolution of an uninsured national bank PPSI. While the OCC cannot correct the definition of "depository institution" in the statutory text or its application to uninsured national banks, it can clearly establish the application of 12 C.F.R. Part 51 by providing that, in resolutions of an uninsured national bank PPSI, the OCC would appoint the FDIC as receiver for an uninsured national bank receivership conducted pursuant to Part 51 and requiring that uninsured national bank PPSIs structure operations such that stablecoin reserve assets would be fiduciary or custodial accounts disposed outside of the bank's receivership estate. This would resolve the potential gap in stablecoin holder protections under the statutory regime—all holders of GENIUS Act-compliant stablecoins would be protected by either the bankruptcy superpriority provided in the GENIUS Act or via the transfer of fiduciary appointments under the OCC's rules governing uninsured national bank receiverships.

Furthermore, while the NPRM appropriately proposes allowing uninsured national trust banks to elect the proposed Part 15 capital framework in lieu of traditional Part 3 requirements, the mechanical calculations of the Call Report must be updated to operationalize this relief. If GAAP (ASC Topic 810) requires the consolidation of stablecoin reserve assets onto Schedule RC, Balance Sheet, the OCC must concurrently amend the Call Report instructions to permit the exclusion of Part 3 capital ratio reporting entirely (e.g., by permitting electing institutions to mark Schedule RC-R as 'N/A') or provide a specific reporting mechanism to deduct the consolidated reserve assets from the leverage ratio denominator and assign them a 0% risk weight.

Without these targeted mechanical adjustments, the consolidation of bankruptcy-remote reserve assets will artificially inflate the bank's leverage in public reporting, falsely signaling high risk and technical non-compliance with Prompt Corrective Action (PCA) standards despite the issuer complying with capital requirements under either Part 15 or Part 3 (including the proposed deductions under Section 3.22), as applicable.

iii. Reserves Backing White Label Stablecoins

While the NPRM did not propose limitations on PPSIs issuing multiple "brands" of stablecoin—commonly referred to as "white label" stablecoin issuance—it requested comment regarding whether the OCC should prohibit a PPSI from issuing multiple brands of stablecoins, potentially in connection with adopting streamlined application procedures for affiliated PPSIs that issue separate brands of stablecoins. While the concerns identified in the NPRM with respect to potential contagion across multiple brands of stablecoin issued by a single PPSI are reasonable in certain models, *prohibiting* PPSIs from issuing multiple brands of stablecoins would go *well beyond* a reasonable and proportionate regulatory response to this perceived risk when operating. OCC-supervised stablecoin issuers, and ADB in particular, have demonstrated the

feasibility of segregating reserves backing multiple white label stablecoins into operationally separate accounts held by separate legal entities.

The FDIC, evaluating the same risks, has proposed a more limited intervention to address the risk of contagion across using its authority to require PPSIs maintain identifiable reserves. Under its proposed Section 350.4(c), FDIC-supervised PPSIs that issue multiple, distinct brands of stablecoins would be required to maintain required reserves including assets that can be separately identified as backing a particular brand of stablecoin, and each brand of stablecoin issued by an FDIC-supervised PPSI would be required to comply with the reserve requirements under the FDIC's proposed Section 350.4(a).[6] These requirements are well-tailored to address the specific risk presented by white label stablecoin arrangements—that stablecoin holders may become concerned an idiosyncratic reserve shortfall for one brand of stablecoin reflects a shortfall in reserves for all of the PPSI's brands—and are consistent with existing market practice of segregating reserves backing each brand of stablecoin issued by a white label issuer (including via Stablecoin Reserve Trusts) and producing independent attestation reports for each brand.

At a minimum, if the OCC determines to limit issuance of multiple brands by a single PPSI in the final rule, any such limitation should include an exception for PPSIs that have established separate legal entities to hold reserves, as ADB has. However, while the Stablecoin Reserve Trust structure is more effective in protecting stablecoin reserve assets than the straightforward segregation required under the FDIC's proposal, ADB believes that the FDIC's proposed segregation requirements represent a reasonable baseline against which market forces can encourage the adoption (or non-adoption) of more protective structures like ADB's.

b. Ensuring Reserve Asset Quality

i. Reserve Diversification Requirements

As noted above, stablecoin issuances can vary in use case and therefore related risk profiles can vary. The NPRM proposes two alternative approaches to reserve diversification under §15.11(c), including Option A that combines principles-based requirements with an optional safe harbor while Option B imposes the safe harbor conditions as mandatory requirements for all issuers. ADB believes the approach in §15.11(c) should be revised to select a new version of Option A that eliminates the safe harbor provision, replacing it with a *fully* principles-based framework under which each PPSI demonstrates compliance based on its own risk profile, subject to OCC supervisory review.

[6] Federal Deposit Insurance Corporation, GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions, 91 Fed. Reg. 18534, 18541 and 18571 (Apr. 10, 2026).

While we commend OCC's efforts in proposing principle-based requirements, the inclusion of the voluntary safe harbor under Option A, risks becoming a minimum requirement for all issuers regardless of their specific risks. The safe harbor's "deemed to satisfy" status creates an asymmetry where meeting it provides certainty, while a fully principles-based path requires a complex facts-and-circumstances evaluation. Over time, this dynamic may cause safe harbor thresholds to function as minimum requirements for all issuers, operating similarly to the mandatory quantitative requirements under Option B. Such mandatory requirements appear to be in conflict with the statutory intent established under Section 4(a)(4)(A)(iii) of the GENIUS Act, which requires that reserve standards be "tailored to the business model and risk profile" of individual issuers.

In addition to the foregoing general concerns, ADB has the following specific concerns with the proposed quantitative requirements included in the safe harbor under Option A or specified in Option B.

ADB has significant concerns regarding the proposed 10% Daily Liquidity Requirements.[7] This provision requires PPSIs to hold at least 10% of their total stablecoin reserves in either a bank, credit union or on deposit at the Federal Reserve. Expecting PPSIs to hold significant quantities of stablecoin reserves in the form of demand deposits at FDIC or NCUA-insured institutions would require PPSIs to introduce significant counterparty credit risk into stablecoin reserves that is likely to undermine holder confidence in reserve quality under stressed conditions.

For example, Circle Internet Financial LLC's USDC (an example cited *in support* of the proposed diversification requirements) held over $3.3 billion in uninsured deposits at Silicon Valley Bank prior to its failure in March 2023, resulting in a temporary depegging prior to the U.S. government's invocation of emergency authority to guarantee otherwise uninsured deposits held at Silicon Valley Bank.[8] Based on USDC's approximately $78 billion in outstanding issuance as of April 27, 2026, Circle would be required to hold at least $3.9 billion ($600 million *more* than it held at Silicon Valley Bank) at *two* different depository institutions. Holding this level of uninsured deposits would significantly increase credit risk in the reserve portfolio and would force stablecoin issuers to route deposits to "too big to fail" depository institutions that benefit from an implicit government guarantee, exacerbating the financial stability and competitive effects issues posed by institutions of this size.[9]

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7 Section 15.11 (c)(2)(i). ("The permitted payment stablecoin issuer maintains at least 10 percent of its reserve assets as deposits or insured shares payable upon demand or money standing to the credit of an account with a Federal Reserve Bank.")

8 *See, e.g.,* Vicky Ge Huang et al., "Circle's USDC Stablecoin Breaks Peg With $3.3 Billion Stuck at Silicon Valley Bank," Wall St. J. (March 11, 2023), https://www.wsj.com/articles/crypto-investors-cash-out-2-billion-in-usd-coin-after-bank-collapse-1338a80f.

9 Indeed, Circle's reserve composition reports for USDC currently emphasize that the cash portion of reserves are held at "systemically important institutions." *See* Circle, Inc. Transparency & Stability—Reserves Composition (accessed Apr. 30, 2026), https://www.circle.com/transparency.

This credit risk might be justifiable if it were trading credit risk for better liquidity, but it is not. In ADB's experience, tokenized MMFs are as effective, or more effective, than deposits at insured depository institutions in providing the "daily liquidity" sought under the safe harbor.

Moreover, while some money market funds have experienced redemption pressures in stressed conditions, government money market funds, the only category of money market funds that are permissible reserves under Section 4(a)(1)(A)(vi), have historically experienced significant *net inflows* during periods of stress. Uninsured depositors, like non-government money market funds, have generally experienced losses absent government intervention.

While Federal Reserve deposits do not suffer from the same credit and liquidity risk issues as bank or credit union deposits, expecting PPSIs to hold reserves as money standing to the account of a Federal Reserve Bank would unfairly advantage PPSIs that are subsidiaries of insured depository institutions. These PPSIs could maintain reserves in a parent bank's Federal Reserve master account, where the assets could earn full interest on reserve balance payments while benefitting from the capital deduction for stablecoin reserve assets under Section 16(c)(2) of the GENIUS Act and the proposed revisions to Section 3.22 of the OCC's regulatory capital rules. Uninsured national banks and non-bank Federal PPSIs would remain subject to significant uncertainty regarding whether they would be able to hold funds in Federal Reserve accounts at all, let alone accounts with comparable terms to those held by insured depository institutions.

Lastly, the OCC's suggestion to engage a third-party deposit placement service to mitigate the counterparty risk ignores the additional third-party risk and operational burden associated with these unregulated private third-party services. For example, deposit placement through the IntraFi service is subject to the terms, conditions, and disclosures in applicable agreements, and limits—in particular, limits on intraday settlement—may apply. Individual member banks may set their own specific program terms within IntraFi's framework, so *each particular bank* may impose additional minimums, maximums, or operational restrictions that IntraFi itself does not mandate network-wide. These layered terms introduce uncertainty which is untenable when the goal is to ensure redemption certainty and would undermine bank deposits' functionality as a source of daily liquidity.

ADB has significant concerns regarding the proposed custodian concentration limits. The OCC's proposed asset and custodian diversification requirements introduce significant operational and counterparty risk in the effort to limit PPSI exposure to idiosyncratic counterparty risk events. For example, the proposed requirement that a PPSI maintain no more than 40% of reserve assets at any one eligible financial institution would require OCC-supervised PPSIs that use stablecoin reserve funds or tokenized MMFs that are established by asset managers for the purpose of serving as stablecoin reserve assets to onboard multiple redundant counterparties and develop operations and systems to accommodate multiple custodians and asset managers as counterparties. This is poor risk management—indeed, the

most sophisticated global asset management firms intentionally do the opposite, concentrating custodial relationships with only one or two custodians in order to reduce the potential for operational failures due to multiple settlement touchpoints.

In practice, this would likely result in market adaptations with unintended consequences. For example, asset managers would likely develop stablecoin reserve funds for use by multiple PPSIs, rather than funds that generally serve as reserves for a single stablecoin as under current market practice. While any individual PPSI would have its assets split across a few custodians, PPSI reserves overall would likely be as, or more, concentrated in a few large custodians than without the diversification requirement. Alternatively, PPSIs could be forced to develop in-house asset management expertise, regardless of their existing business model or comparative advantage. By driving internal resources to the asset management function, the OCC would effectively force PPSIs to become mini-money market funds, eliminating the potential for issuers that, like ADB, have comparative expertise in the technical and custodial components of stablecoin issuance but outsource allocation decisions to experienced managers like BlackRock. Allowing PPSIs to hold the substantial portion of assets in a single stablecoin reserve fund would allow competitive forces to determine which of these models is best at meeting user needs.

ADB has significant concerns regarding the 20-Day Weighted Average Maturity ("WAM") requirement. The proposed rule's 20-day WAM requirement for reserve assets is another rigid quantitative requirement that may have unintended consequences. Rigid WAM constraints do not simply limit duration risk; when issuers are bound by rigid WAM constraints, they may seek yield in unregulated dimensions. Examples include taking on higher counterparty credit risk by holding a large share of reserve assets in uninsured bank deposits[10] or pursuing more complex, less transparent monetization strategies. Additionally, a WAM requirement calibrated without regard to an issuer's actual risk profile may create economic barriers; specifically, tighter WAM limits reduce the yield available to cover operating costs and may make it economically prohibitive for smaller entrants, leading to market concentration and less competition.

The NPRM appropriately requires an PPSI to manage interest rate risk in a manner that is appropriate to the size and complexity of the PPSI and the complexity of its assets and liabilities. As such, the framework should accommodate a more flexible WAM. We conducted stress scenario analyses of stablecoin reserve portfolios (attached in the Technical Appendix), which demonstrates that potential mark-to-market losses differ meaningfully depending on portfolio composition, but remain limited in absolute terms. This analysis illustrates how such risk management can be done in practice, demonstrating a range of credible approaches for evaluating market risk and developing an appropriate reserve management strategy including reserve asset buffer. PPSIs are well positioned to manage actual risk through sound practices, rather than conform to a rigid uniform limit that ignores individual risk profiles.

[10] Uninsured bank deposits hold significant credit risk that may not align with the risk tolerance of institutional payment stablecoin holders.

Recommended Principles-Based Approach: Rather than prescribing specific means for PPSIs to diversify reserve assets or maintain liquidity in the reserve portfolio, the OCC should establish resilience standards across liquidity and interest rate risk. For example, ADB believes that the following requirements would be as or more effective in achieving the OCC's aims stated in the NPRM without the adverse consequences noted above:

- Liquidity: The OCC's should address its concerns regarding PPSIs' ability to source daily liquidity to meet redemption requests by requiring PPSIs to demonstrate the capability to monetize 10% of the reserve on an overnight basis and 30% of the reserve on a weekly basis. This approach would ensure the same amount of daily and weekly liquidity in the stablecoin reserve as under the proposal while allowing PPSIs flexibility to source that liquidity in the manner that is most effective based upon the demands of their client base and the issuer's own capabilities.
- Interest Rate Risk: Rather than prescribing a specific WAM for stablecoin reserve assets, the OCC should require PPSIs to have robust risk management capabilities, which may include ongoing stress testing to demonstrate that the reserve maintains at least one-to-one backing under significant positive rate shock scenarios. While this sort of ongoing stress testing would ordinarily impose operational burdens on supervised firms, the limited categories of permissible reserve assets, short maturity, and significant volume of data regarding responses to prior shock scenarios make ongoing stress testing not only feasible, but a necessary practice for payment stablecoin issuers.

While ADB believes that the above approaches would be effective in achieving the objectives described in the NPRM, a key benefit of this approach would be the significant flexibility afforded the OCC as to both the means and extent of compliance required to demonstrate compliance for each supervisory objective. Under such a framework, each PPSI would document their own risk policies, conduct quantitative analysis appropriate to their complexity, and set internal limits, with the OCC evaluating these internal frameworks leveraging its existing expertise. This tailored supervisory approach is more likely to manage risk effectively while supporting growth and innovation in the U.S. stablecoin industry than an approach that imposes fixed quantitative limits regardless of each issuer's actual risk profile.

ii. Limitations on Redemption

The NPRM proposes a seven-day automatic delay of redemptions for a PPSI experiencing redemption demands in excess of 10% of its outstanding issuance value in any single 24-hour period pursuant to proposed Section 15.12(c). This provision is intended to provide time for a PPSI that experiences significant redemption demands to liquidate assets and meet redemptions. We recommend that this proposed automatic delay be eliminated and any delay addressed by PPSIs and their supervisors as they arise.

While this provision may appear reasonable on the surface, in practice it is likely to have the unintended consequence of exacerbating run risk rather than managing it. The public and

mandatory structure of this automatic delay will likely create a strong incentive for stablecoin holders to preemptively redeem their holdings as soon as they become aware of redemption pressures on a stablecoin in order to beat the redemption delay trigger.

Indeed, experience shows that redemption-slowing mechanisms can precipitate the runs they are designed to prevent. The SEC's 2014 amendment to Rule 2a-7 linked a specific regulatory permission, authority to impose redemption gates, to an observable, publicly reported threshold: weekly liquid assets below 30%. That linkage became a tripwire in March 2020 as institutional investors redeemed preemptively to avoid being caught behind a potential gate, accelerating the very outflows the rule was meant to slow. The SEC eliminated the gate framework in 2023 citing the pre-emptive run incentives.[11] The NPRM's 10%-in-24-hours trigger in § 15.12(c)(1), which is mandatory and automatic, rather than discretion as was Rule 2a-7, will likely generate even stronger incentives to pre-emptive redemption than the rescinded SEC rule. Furthermore, stablecoin holders, with real-time, on-chain visibility into aggregate flows will likely watch for outflows in real time, rather than waiting for periodic reports.The tripwire dynamic the SEC spent a decade unwinding could be reintroduced at the moment of adoption.

In short, applying a single gating threshold across these diverse profiles does not align with how liquidity demand actually manifests in practice. Specifically, our empirical analysis (attached in the Technical Appendix) demonstrates that the proposed 10% daily redemption threshold is poorly calibrated to actual market dynamics across major stablecoins[12]:

- **Diverse Redemption Profiles and Tail Behavior**. Stablecoins differ significantly in how often and how sharply their outstanding supply changes from day to day, with some stablecoins experiencing gradual, steady flows of issuance and redemption activity, while others experience sudden, large swings in outstanding supply. This wide dispersion indicates that a fixed 10% daily redemption threshold may be infrequently relevant for some large-cap stablecoins while being more frequently approached or exceeded for others in non-stress conditions.
- **Institutional and Concentrated Flow Dynamics**. Higher average daily supply changes observed for certain stablecoins may reflect use cases involving active liquidity management, such as settlement and treasury operations, rather than indicators of stress. Additionally, concentrated redemption activity may arise from a relatively small number of large institutional counterparties, meaning that a single counterparty action could represent a meaningful share of outstanding supply and trigger the seven-day

[11] See SEC, Money Market Fund Reforms, Release No. IC-34959 (July 2023), effective October 2023; U.S. Gov't Accountability Office, Money Market Mutual Funds: Pandemic Revealed Unresolved Vulnerabilities, GAO-23-105535 (2023); SEC Staff, Prime MMFs at the Onset of the Pandemic (2021); Fed. Reserve Board, Investor Base and Prime Money Market Fund Behavior (Apr. 2022); BIS, Investor Size, Liquidity and Prime Money Market Fund Stress (Mar. 2021).

[12] Analysis figures presented in this section have a lookback period of three years (April 2023 to April 2026). Lookback periods for PYUSD and USDtb are adjusted based on data availability and start in September 2023 and December 2024, respectively. Full analysis is

redemption period even in the absence of stress on the actual stablecoin and broader market.

- **Disproportionate Impact on Smaller and Mid-Cap Stablecoins**. The proposed gating mechanism is likely to bear disproportionately on smaller and newer stablecoins, which exhibit higher supply volatility relative to large-cap stablecoins. Lower market capitalization also correlates with higher concentration of holdings, increasing the likelihood that a single redemption event crosses the 10% daily threshold even in the absence of stress, which could impair smaller stablecoins' ability to scale and introduce operational uncertainty for users, compounding the competitive barriers to entry for smaller issuers.

ADB appreciates that any limitation on redemption that is intended to ensure that a PPSI has the operational capabilities to meet redemptions under stress is likely to suffer to some degree from the same dynamics as noted with respect to the automatic seven-day waiting period. However, ADB believes that the FDIC's proposed reporting and supervisory exemption structure under its proposed Section 350.5(c) is likely to provide holders with fewer incentives to redeem before the 10% redemption threshold is hit and offer supervisors and PPSIs greater flexibility to respond appropriately to outlier redemption scenarios (e.g., a planned redemption by a large institutional holder known well in advance due to the holder's shift to another payment stablecoin). As the SEC noted in removing the tie between discretionary liquidity fees imposed by the board of certain money market funds and weekly liquid asset levels but preserving funds' ability to charge discretionary liquidity fees under Rule 2a-7, "[Di]scretion, untethered from any weekly liquid asset requirement or prescribed factors for implementation, should lessen the likelihood that sophisticated investors can preferentially predict when a fee is going to be imposed, thus reducing the potential for a run or other adverse effects. Also, the possibility of a fund imposing discretionary liquidity fees during periods of stress is unlikely, on its own, to incentivize investors to preemptively redeem."[13] The same rationales apply here. Regulatory discretion over the imposition of a seven-day redemption period would reduce both the predictability and incentive for investors to preemptively redeem payment stablecoins.

III. Other Considerations

In addition to the foregoing concerns, which address both fundamental aspects of ADB's issuance model and core objectives of the GENIUS Act and NPRM, ADB believes the NPRM could be improved by making targeted revisions in the following areas.

[13] *Id* at 51427–28.

a. ADB supports the NPRM's overall approach to capital regulation, including Operational Backstop Requirement, but recommends individualized capital assessment and risk-based operational buffer requirements.

ADB strongly supports the OCC's overall approach to capital regulation of PPSIs under proposed subpart E of the NPRM. ADB has operated subject to similar individualized capital requirements under OCC Bulletin 2007-21 since its conversion to a national trust bank charter in January 2021. While ADB is unable to share specific details of its experience due to the limitations on sharing of Non-Public OCC Information, ADB believes that OCC supervisors are well-positioned to make rigorous, well-calibrated determinations as to the appropriate amount of capital required to protect PPSIs from the operational risks associated with payment stablecoin issuance. The NPRM's proposed "Operational Backstop" requirement in section 15.41(b), requiring PPSIs to maintain assets equal to 12 months of total expenses in liquid assets, is generally appropriate and consistent with this requirement, but the alternative variable capital approaches discussed in the preamble are neither appropriate, given that liquidity and interest rate risk are addressed by other provisions of the NPRM, nor warranted in light of the OCC's experience and effectiveness implementing individualized capital requirements.

However, while ADB appreciates the objective of ensuring sufficient operational resilience, we recommend that the Operational Backstop be adjusted to an individualized capital assessment reflecting the specific risk profile of each stablecoin issuer, including allowing supervisory discretion within a 6- to 12-month range rather than a fixed 12-month minimum, to account for differences in issuer size, maturity, and operational resilience. This is because stablecoin issuance models are heterogeneous. In particular, national trust banks issuing stablecoins may operate under fiduciary or custodial structures in which reserve assets are held under transparent trust arrangements, which is also ADB's current structure. In such models, reserve requirements already function as the primary financial risk buffer, as the OCC recognizes. Because reserves must be fully backed, segregated, and limited to low-risk instruments, many of the financial risks typically addressed through traditional capital requirements are already mitigated. These models also facilitate more streamlined transfer of stablecoin issuing responsibilities, thereby reducing the period over which the operational buffer would realistically need to protect issuer operations. Further, in ADB's experience, OCC supervisors are effective and fair in developing individualized capital requirements when utilizing their existing supervisory discretion for national trust banks under OCC Bulletin 2007-21. Therefore, PPSI capital requirements should be evaluated on a case-by-case basis and tailored to the specific risk profile of each stablecoin issuer.

To be more specific, operational risk does not necessarily scale linearly with issuance volume. Once appropriate systems, controls, and operational frameworks are in place, increases in issuance do not proportionally increase operational risk. Linking capital requirements directly to issuance volume may therefore penalize scale without improving safety and soundness. Such an approach could result in increasing capital burdens even where the underlying risk profile remains unchanged.

Additionally, the operational buffer requirement should also be calibrated to the stablecoin issuance activity itself. As proposed in the NPRM, uninsured national trust banks may have the flexibility to apply Part 15 requirements to their stablecoin issuance activities without extending the same requirements to their broader trust operations. A similar form of flexibility in the operational buffer requirement, i.e., that the requirement would apply to the stablecoin issuance activity rather than to the institution's entire trust business, would also ensure that regulatory obligations are appropriately scoped to the activity generating the risk, while preserving the existing supervisory framework for other trust bank functions.

b. The presumption regarding prohibited payments of yield should be removed or clarified.

i. <u>The presumption regarding prohibited payments of yield is inconsistent with the statutory framework under the GENIUS Act and exceeds the scope of the OCC's authority.</u>

Under section 15.10(c)(4)(i) of the NPRM, the OCC proposes to presume that payments by an affiliate or "related third party" of A PPSI are evasions of the prohibition on payments of interest or yield under section 4(a)(11) of the GENIUS Act if (A) the PPSI has a contract, agreement, or other arrangement with the affiliate or related third party to pay interest or yield to the affiliate or related third party, and (B) the affiliate, related third party, or an affiliate of the related third party has a contract, agreement, or other arrangement or to pay interest or yield to the holder of any payment stablecoin issued by the PPSI solely in connection with the holding, use, or retention of the stablecoin. Adopting this presumption would be inconsistent with both the text and structure of the GENIUS Act. It should be removed from the OCC's final rule.

First, the proposed presumption errs in assuming that the prohibition under section 4(a)(11) of the GENIUS Act was intended to broadly prohibit "the payment of yield to stablecoin holders," rather than specifically to prohibit the payment of yield to stablecoin holders <u>by PPSIs</u>. ADB was closely involved in the legislative process during the drafting, enactment, and signing of the GENIUS Act and, based on our experience, this provision was intended as a carefully calibrated compromise intended to *preserve*, not prohibit, payment stablecoins' ability to evolve to serve multiple use cases, including use cases that involved holders being compensated for holding, retention or use. Rather, the prohibition in section 4(a)(11) was specifically intended to prohibit PPSIs from offering direct yield-bearing products. As the OCC notes, there "likely will be a large and changing variety of arrangement with third parties," some of which may involve payments to stablecoin holders. This weighs *in favor* of hewing to the statutory language, not against it—this diversity of use cases and economic arrangements is exactly what Congress envisioned when it adopted a provision narrowly targeted at direct payments by PPSIs. Further, as described below, some of these arrangements would clearly represent evasions of the yield prohibition while others would not.

Second, the presumption regarding prohibited payments of yield is at odds with the structure of the GENIUS Act. The authority cited by the OCC for establishment of the presumption is not general rulemaking authority to further the purposes of the Act, which Congress explicitly did not grant to the OCC. Section 4(h) of the GENIUS Act instead gives the OCC specific authority to issue regulations "to establish a regulatory framework necessary to administer and carry out the requirements" of section 4 and "to prevent evasion" of those requirements. ADB does not dispute that some PPSIs may seek to evade the requirements of the Act or that some conduct that falls within the presumption would be an evasion. For example, the NPRM defines a related third party of a stablecoin issuer to include a person who agrees to make payments of yield to holders of a payment stablecoin on behalf of a PPSI, that is, to make a payment that the PPSI is legally prohibited from making directly. Such an agreement would have essentially no purpose *other* than evasion of the prohibition under section 4(a)(11) and clearly would represent an evasion of the Act. But other arrangements within the scope of the presumption clearly would not be evasive. The presumption would apply to payments to stablecoin holders by affiliates of a white label issuance partner, for example, even if the relevant entity was "affiliated" with the white label partner solely by virtue of a common investor base and no person or entity had the actual ability to control both the white label partner and its nominal "affiliate."

Anti-evasion provisions necessarily contemplate case-by-case evaluation of whether challenged conduct conflicts with a specific legal requirement, as the OCC itself acknowledges in discussing arrangements that fall outside of the proposed yield presumption. Critically, this sort of case-by-case evaluation places the burden *on the enforcing agency* to establish that particular conduct is evasive. The proposed presumption flips that burden, potentially forcing a PPSI to prove that it is not in violation of the Act despite conduct entirely outside of its control. While ADB appreciates that the OCC retains the ability to rebut the presumption, ADB's experience with regulatory presumptions is that they are rarely, if ever, rebutted. Further, forcing PPSIs to prove to the OCC that they are not hardly prevents the "uncertainty within the payment stablecoin market" that the presumption is intended to prevent. Instead, it would chill white label stablecoin issuance altogether, forcing PPSIs to refrain from white label issuance or insist on draconian contractual provisions that require potential partners to monitor and attempt to control practices of nominal "affiliates" of which they may not even be aware.

In short, while the proposed presumption regarding prohibited payments of yield might make enforcing the text of the GENIUS Act *easier* for the OCC, it would not make the OCC's enforcement of the law *better*. The presumption should be removed to leave Congress's intent undisturbed.

ii. <u>At a minimum, the scope of permissible merchant discounts should be clarified.</u>

The NPRM confirms that a PPSI may not "[p]ay the holder of any payment stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such payment stablecoin." However, the NPRM states that this

prohibition is not intended to prevent a merchant from independently offering a discount to a payment stablecoin holder for using payment stablecoins.

In the event that the OCC determines to retain the proposed presumption regarding prohibited payments of yield, it is not clear that the OCC's statement that merchant discounts for payment stablecoin usage are permitted would allow a white-label partner that is a merchant to provide discounts for its branded stablecoin in the face of the presumption. This sort of discount for more efficient payments systems would be precisely the type of payments innovation the GENIUS Act intended to promote by establishing a regulatory framework for stablecoin issuance, and further clarification to clarify this would protect an important payments use case for payment stablecoins.

c. Confirm that a PPSI is not required to onboard any holder as a customer to facilitate redemption.

The NPRM provides that a PPSI must redeem any number of stablecoins greater than or equal to one stablecoin, subject to "appropriate customer screening and onboarding" but does not define what "appropriate customer screening and onboarding is," or whether a PPSI is required to conduct screening and onboarding for any stablecoin holder who requests it.

The OCC should clarify, consistent with the preamble of the NPRM, that a PPSI is not required to screen and onboard any stablecoin holder who requests redemption. This would be consistent with established market practice and would prevent significant operational disruptions to existing and proposed PPSIs, which, like ADB, generally serve primarily institutional customers and are not in a position to conduct "appropriate customer screening and onboarding" of potentially millions of direct retail stablecoin holders consistent with their obligations for timely redemption.

d. Do not weaken prudential requirements under the GENIUS Act to accommodate PPSIs that issue/redeem the same or similar stablecoins in one or more foreign jurisdictions.

Currently, stablecoin issuers that wish to issue a stablecoin in multiple jurisdictions have two choices: (1) a "multi-issuer" arrangement in which the issuer obtains licensed entities in multiple jurisdictions that jointly issue and redeem a single stablecoin, or (2) issue separate stablecoin in major jurisdictions that comply with requirements under local law and share branding (or partner with a local institution to do so). Neither of these options is consistent with the framework of reciprocal arrangements contemplated under the GENIUS Act. Multi-issuer arrangements are therefore the subject of significant legal uncertainty and will likely remain so pending the adoption of reciprocal arrangements or other bilateral agreements between the US and other countries under Section 18(d) of the GENIUS Act.

While facilitating international access to the dollar payments system is an important objective of the GENIUS Act, ADB recommends that the OCC not compromise the structure of reciprocal arrangements contemplated under Section 18(d) in order to boost short-term adoption of dollar-denominated payment stablecoins issued under multi-issuer arrangements. Multi-issuer arrangements pose fundamental, unresolvable issues under applicable affiliate transaction limitations pursuant to Sections 23A and 23B of the Federal Reserve Act, Regulation W, and the proposed Section 15.13(a)(6). Further, creation and redemption of stablecoins across multiple legal issuers entails inherent operational complexity that significantly increases the risk profile of payment stablecoins, which otherwise present limited risk a PPSI. ADB believes that the only fundamentally sound approach to international adoption of GENIUS-compliant stablecoins is the adoption of reciprocal arrangements that allow PPSI-issued stablecoins to be directly listed on, and redeemed by, residents of foreign jurisdictions.

e. The weekly reporting requirements are poorly calibrated market monitoring tools relative to their cost.

The OCC's proposed weekly reserve reporting requirements under Section 15.14(h) are intended to allow the OCC to identify and respond to emerging and novel financial stability risks, as well as to supplement the OCC's remaining regulatory reporting in targeting examinations and understanding a PPSI's business model. But weekly reporting is likely to be insufficient to adequately understand emerging and novel financial stability risks in the event that actual threats to financial stability were to emerge—as supervisors experienced during the regional banking crisis of March 2023, during which affected institutions reportedly were required to produce relevant information for supervisors multiple times *per day*.

Rather than establishing a requirement that fails to achieve the OCC's purpose but carries meaningful costs for issuers, ADB recommends that the OCC focus on enhancing monthly reporting, which PPSIs already will be required to produce, to address the information that would be covered by the weekly reports.

* * *

ADB believes that payment stablecoins have the opportunity to catalyze generational developments in payment and settlement technologies, support the stability of the financial system across both traditional and digital asset classes, and expand access to the dollar financial system. The implementation of the GENIUS Act represents a once-in-a-generation opportunity to establish the framework that will support the next generation of payments technology. The NPRM represents a meaningful step towards a final, effective stablecoin regulatory system that both protects stablecoin holders and facilitates innovation, and, by finalizing a flexible framework that both protects holders and allows supervisors the flexibility to adapt as stablecoin technologies and use cases continue to evolve, the OCC has the opportunity to cement American dominance in the next century of payments technologies.

ADB thanks the OCC for this opportunity to comment on the important questions fundamental to implementation of the GENIUS Act. We look forward to further engagement with the OCC as it refines its regulations to promulgate the GENIUS Act.

Respectfully submitted,

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IV. Technical Appendix

a. Stress Testing: Assessing Potential Reserve Portfolio Losses

The proposed rule under Section 15.11(c) includes a 20-day WAM limit that is applied uniformly to all PPSIs, regardless of their individual risk profiles, customer bases, or reserve management practices. However, as stablecoin reserves consist only of short-duration, high-quality assets, they form a simple fixed-income portfolio with limited risk drivers. Thus ADB believes a more flexible WAM calibration is justified by the limited risk as discussed in Part II.b.i above.

The empirical analysis presented in this section is intended to provide quantitative support for that argument by directly measuring the magnitude of potential mark-to-market losses across reserve portfolios of varying WAM under a range of stress scenarios. At a high level, our analysis demonstrates that potential mark-to-market losses differ meaningfully depending on portfolio composition but remain limited in absolute terms across the tested scenarios.

Leveraging historical simulations on hypothetical portfolios that consist of Treasury securities with varying maturities, we estimate potential mark-to-market losses caused by interest rate shocks.[14] The first metric, Value at Risk ("VaR"), is defined as the loss threshold that is not expected to be exceeded over a given time horizon, at a pre-defined confidence level. For instance, a 99% 10 business-day VaR of -0.09% indicates that there is 99% confidence that the portfolio will not lose more than 0.09% of its value over the next two weeks. The table below presents 99% VaR estimates for portfolios with different WAM across different stress horizons.

99% VaR for Various Horizons and Portfolio WAM

Stress Horizon (Business Days)	Portfolio WAM			
	1-Month	6-Week	2-Month	3-Month
1	-0.01%	-0.02%	-0.02%	-0.03%
5	-0.02%	-0.03%	-0.04%	-0.06%
10	-0.03%	-0.04%	-0.06%	-0.09%
30	-	-0.10%	-0.13%	-0.20%
60	-	-	-	-0.37%

To complement the analysis above and capture a fuller picture of tail risk, we also calculate two additional metrics. Conditional VaR ("CVaR"), also known as Expected Shortfall ("ES"), estimates the average of losses once VaR at a pre-defined confidence level is exceeded. Thus, CVaR is useful for assessing severe tail risk exceeding the VaR cutoff. The third metric, Worst

[14] Our analysis uses a lookback period of 21 years (January 2005 to March 2026).

Historical Loss, is defined as the worst loss within a defined lookback period. This is used to capture the most extreme negative outcomes observed in a given period such as the rapid rate hikes experienced during the Great Recession and Covid-19 pandemic. The table below presents results for all three metrics under a two-week stress horizon and 99% confidence level across portfolios of varying WAM.

Estimated Reserve Portfolio Losses Under Stress Scenarios[15]

Metric	1-Month WAM	3-Month WAM
99% VaR	-0.03%	-0.09%
99% CVaR	-0.04%	-0.13%
Worst Loss (2008)	-0.11%	-0.32%
Worst Loss (2022)	-0.07%	-0.20%

Across our tested scenarios in the table above, estimated losses range from 0.03% to 0.32%, which shows that potential mark-to-market losses remain quantitatively small even for portfolios with durations exceeding the proposed 20-day WAM limit. The approaches and results outlined here offer a practical model for sound reserve risk management, reflecting the variety of credible methodologies available to stablecoin issuers when assessing market risk and structuring a reserve strategy including appropriate asset buffers. Rather than adhering to a blanket uniform limit that fails to capture differences in risk profiles, stablecoin issuers are equipped to address actual risk through tailored, principled management frameworks.

b. Stablecoin Redemption Profile Analysis

The liquidity gating mechanism under proposed Section 15.12(c)(1) extends the period for timely redemption to seven calendar days if a permitted payment stablecoin issuer faces redemption demands exceeding 10% of its outstanding issuance value within a single 24-hour period. ADB believes this fixed threshold is poorly calibrated to actual market dynamics and is likely to produce the very instability it is designed to prevent, as discussed in Part II.b.ii.

The empirical analysis presented in this section is intended to provide quantitative support for that argument by examining redemption and supply dynamics across major stablecoins of varying size and use cases. At a high level, our analysis demonstrates that the proposed 10% daily threshold does not align with observed market dynamics given that: (a) redemption profiles vary significantly across stablecoins; (b) large redemptions for certain stablecoins may reflect routine institutional activity rather than financial stress; and (c) the mechanism is likely to disproportionately impact smaller and/or newer stablecoins.

[15] All figures above assume a two-week stress horizon.

Our analysis calculates daily percentage changes in circulating supply for each stablecoin[16], which we use as a proxy for daily redemption and issuance activity.[17] From these daily observations, we calculate the following metrics to characterize the redemption profile of each stablecoin.

- **Redemption Frequency**: the percentage of days where a stablecoin experienced net redemption activity.[18] A higher figure indicates that redemptions occur more frequently relative to new issuance. This metric provides an indicator of how often a given stablecoin faces net outflow pressure under normal operating conditions.
- **Daily Supply Volatility**: the standard deviation of day-over-day percentage changes in circulating supply.[19] A higher figure indicates that supply levels are less stable and more variable on a day-to-day basis. This metric provides an indicator of stablecoins with higher day-to-day supply variability, which may be structurally more likely to experience large single-day redemption events.
- **Average Daily Flow Size**: the average size of daily supply changes, measured as the mean of the absolute value of day-over-day percentage changes regardless of whether supply increased or decreased on a given day.[20] This metric provides a size-neutral benchmark for normal daily activity.
- **Peak Single-Day Contraction**: the largest single-day decrease in outstanding supply observed over the sample period, measured as the most negative day-over-day percentage change in circulating supply.[21]

The table below provides results for the metrics described above for each stablecoin in our sample.

16 Circulating supply on each day is calculated as that day's reported market capitalization divided by that day's reported price, using publicly available data from CoinGecko. This approach is designed so that observed changes in circulating supply reflect actual changes in outstanding tokens rather than fluctuations in market value, thereby isolating token issuance and redemption activity (i.e., mint and burn transactions) from price movements. Daily percentage changes are then computed as the day-over-day percentage change in the resulting circulating supply series, expressed as a percentage of the prior day's outstanding supply. A positive daily percentage change indicates net issuance activity; a negative daily percentage change indicates net redemption activity.

17 Our analysis uses a lookback period of three years (April 2023 to April 2026). Lookback periods for PYUSD and USDtb are adjusted based on data availability and start in September 2023 and December 2024, respectively.

18 I.e., Days where more tokens were redeemed than issued, resulting in a decrease in outstanding supply.

19 I.e., This measures how much a stablecoin's outstanding supply fluctuates from one day to the next under typical conditions.

20 I.e., This captures how large a typical day's supply movement is in either direction.

21 I.e., this metric provides the worst single redemption day observed for each stablecoin over the lookback period

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Redemption Profile Statistics Across Major Stablecoins

	USDT	USDC	PYUSD	USDtb
Circulating Supply[22]	$184.1B	$78.4B	$4.0B	$0.9B
Redemption Frequency	32.0%	45.6%	44.4%	37.8%
Daily Supply Volatility	0.18%	0.57%	2.81%	2.54%
Average Daily Flow Size	0.12%	0.38%	1.39%	0.54%
Peak Single-Day Contraction	0.8%	2.2%	13.5%	22.2%

Based on this empirical analysis, we generally observe a wide dispersion in redemption profiles across stablecoins of varying size; this indicates that the proposed 10% daily redemption threshold is poorly calibrated to actual market dynamics. In particular, the following observations illustrate how the proposed threshold interacts with observed redemption behavior:

Diverse Redemption Profiles and Tail Behavior. Peak single-day supply drawdown ranges from approximately 0.8% for USDT to approximately 22% for USDtb, and daily supply volatility ranges from approximately 0.2% for USDT to approximately 2.8% for PYUSD. Because the seven-day extension is triggered when redemption demand exceeds 10% in a 24-hour period, stablecoins with wider supply distributions or heavier negative tails are structurally more likely to trigger the gating mechanism, regardless of whether those distributional characteristics reflect actual financial stress.

Institutional and Concentrated Flow Dynamics. The percentage of days with net supply reductions ranges from approximately 32% for USDT to approximately 46% for USDC, indicating that net redemption activity is a frequent occurrence under normal operating conditions. For smaller and mid-cap stablecoins, where total supply is lower, the lumpy nature of institutional redemption demand may increase the likelihood that routine or operational redemptions exceed the 10% threshold, resulting in activation of the seven-day redemption period even absent broader market stress.

Disproportionate Impact on Smaller and Mid-Cap Stablecoins. Mid- and small-cap stablecoins exhibit supply volatility of approximately 2.5% to 2.8% and peak single-day supply drawdowns of up to approximately 22%, compared to volatility below 0.6% and peak

[22] Data as of April 10, 2026.

drawdowns below 2.3% for large-cap stablecoins. Where individual client positions represent a larger share of total issuance, a single redemption event is more likely to cross the 10% daily threshold, meaning the gating mechanism may bind for smaller or newer stablecoins even under normal operating conditions, with no corresponding signal of actual financial stress.

Taken together, these findings indicate that a uniform daily redemption threshold is not appropriate given the diverse redemption profiles observed across major stablecoins, and that a more tailored approach would better achieve the OCC's objectives without the unintended consequences identified above.