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The OCC's Stablecoin Rule: More Flexibility, Continued Safeguards

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Highlights

- While the OCC's final rule respects the GENIUS Act's ban on stablecoin interest payments, the final rule does not presume that certain third-party rewards programs violate the ban; regulators will evaluate these programs case by case.
- For rewards and liquidity management, the final rule gives issuers and supervisors more flexibility while retaining binding minimum safeguards. Capital requirements continue to combine a fixed minimum with issuer-specific assessment.
- Estimates of how much money could move from bank deposits into stablecoins vary widely. Because the evidence remains uncertain, the OCC has emphasized monitoring and supervision rather than creating automatic triggers or restrictions tied to adoption.
- The main policy debate is not whether stablecoin issuers should face safeguards. The bigger question is how much should be specified in regulation ahead of time and how much should be left to supervisory judgment as the market evolves.

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The final rule implementing the GENIUS Act takes effect on January 18, 2027, and establishes a prudential framework for payment stablecoin issuers supervised by the Office of the Comptroller of the Currency (OCC). The final rule reduces or eliminates several quantitative requirements from the OCC's original proposal, changes how some rewards programs are evaluated, and gives regulators greater flexibility in assessing individual issuers.

Some observers have portrayed these changes as a move toward lighter regulation. That characterization captures only part of what happened. The final rule still requires stablecoin issuers to hold reserves, meet redemption obligations, maintain capital, manage liquidity risk, and limit certain concentrations of exposure. The more important change is how those safeguards are implemented. The final rule relies less on uniform quantitative requirements and more on issuer-specific assessments, while retaining binding minimums.

That shift is most visible in three areas: rewards programs, concerns about bank deposit migration, and liquidity and redemption risk. The first and third involve direct changes from the OCC's proposal. Deposit migration is different. The OCC never proposed a specific deposit-migration rule. Even so, the agency's public discussion of the issue provides insight into how it views risks that remain uncertain and difficult to measure.

1. The OCC Preserved the Interest Ban but Changed How It Is Applied

One of the most contentious questions in the debate over the GENIUS Act was whether stablecoins could compete with banks by paying something that looks like interest. Congress settled that question in the statute: issuers cannot pay interest or yield solely in connection with holding, using, or retaining their stablecoin.

The statutory ban on interest payments remains unchanged, but difficult questions arise when rewards are offered through affiliates, exchanges, or other platforms. The OCC’s original proposal would have treated certain arrangements involving affiliates and related third parties as likely violations unless the parties could show otherwise. An

affiliate generally includes a company that controls the issuer, is controlled by it, or is under common control with it. The final rule drops that presumption and instead requires regulators to evaluate each arrangement on a case-by-case basis.

One key question is whether the stablecoin issuer is funding the reward, directly or indirectly. Regulators must also determine whether a payment amounts to interest or yield paid solely in connection with holding, using, or retaining the stablecoin. The law does not automatically prohibit rewards paid by an exchange or another platform using its own money. But an issuer cannot avoid the ban simply by routing payments through someone else. Regulators therefore look beyond labels and examine how an arrangement actually works: what the issuer is paying for, what it receives in return, and whether its money ultimately supports the rewards program.

Consider a hypothetical arrangement. A cryptocurrency exchange charges an issuer to distribute or prominently list its stablecoin while separately offering rewards to attract users. The issuer pays for access to the exchange's customers, while the exchange uses rewards to attract and retain those customers.

The two payments may be economically connected even without an explicit agreement tying the issuer's fee to the platform's rewards. A platform that offers more attractive rewards may attract more users and become a more valuable distribution partner. Issuers may then be willing to pay more for access to that platform. As a result, the value of distribution services may partly reflect competition through rewards.

This creates a potential enforcement challenge. A distribution fee may genuinely pay for access or marketing while also helping support rewards. Because platforms typically fund rewards out of their general revenue, regulators may find it difficult to determine whether a particular payment is, in substance, also supporting rewards that function like interest or yield. A high fee would not by itself establish a violation, nor would a market-rate fee necessarily settle the question if market prices already reflect rewards competition.

The difficulty is distinguishing between ordinary business arrangements and payments that indirectly support rewards. That may make case-by-case review difficult to apply consistently.

Banking groups argue that consumers may not distinguish between rewards funded directly by issuers and those delivered through intermediaries; both may increase competition for bank deposits. Digital-asset groups counter that regulators should focus on actual funding and economic relationships rather than broad presumptions that could restrict legitimate commercial arrangements.

The important point is that the statutory prohibition itself has not changed. Stablecoin issuers still cannot pay interest or yield simply because someone holds, uses, or retains their stablecoin. What has changed is how regulators will determine whether a particular rewards program is consistent with the statutory prohibition. Rather than presuming that certain third-party arrangements violate the rule, the OCC will evaluate them case by case.

2. Deposit Migration: Uncertain Effects and the OCC's Public Position

Perhaps the biggest long-term question is whether stablecoins, if widely adopted, will pull deposits away from traditional banks. Banks rely heavily on deposits to fund lending, and community banks have been particularly concerned about losing that funding. But money moving out of customers' bank accounts does not necessarily translate into an equal decline in deposits across the banking system. The **net** effect depends in part on how stablecoin issuers invest the proceeds, including whether funds return to banks as reserve deposits. Stablecoin adoption could therefore change both the total amount of bank deposits and their distribution across institutions.

The evidence, however, remains uncertain. Estimates depend on assumptions about adoption, reserve allocation, and user behavior. Javelin Strategy & Research estimated that gross deposit migration could range from roughly 1.2 percent to 5.4 percent of its modeled deposit base, which covers U.S. bank and credit union deposits. A separate

study by Charles River Associates, prepared for Coinbase, found no statistically significant link between USDC adoption and community-bank deposits in historical data. At the same time, its forward-looking scenarios projected migration ranging from less than 1 percent to about 6.8 percent of community-bank deposits.

Although the studies' scenario ranges are broadly similar, they use different assumptions and deposit bases: Javelin covers U.S. bank and credit union deposits, while CRA focuses on community-bank deposits. The estimates therefore are not directly comparable.

Table 1. Illustrative deposit-migration scenarios using different deposit bases and assumptions.

Study	Lower scenario	Upper scenario	Deposit base
Javelin	1.23%	5.39%	U.S. bank and credit union deposits included in the study's model
CRA	<1%	6.8%	Community-bank deposits

Sources: Javelin Strategy & Research (2026); Charles River Associates (2025), prepared for Coinbase. The table compares scenario estimates only and does not include CRA's separate historical regression results. Because the studies use different assumptions and different deposit bases, their estimates are not directly comparable.

Evidence on actual adoption remains limited as well. A September 2025 survey by the Federal Reserve Bank of Cleveland found that only one of 148 responding firms was already using stablecoins, and seven others reported plans to do so. Respondents cited unfamiliarity with stablecoins, uncertainty about their benefits, limited customer demand, and satisfaction with existing payment methods. The survey cannot establish nationwide adoption rates, but it suggests relatively limited business use among the firms surveyed.

The OCC has acknowledged the possibility that stablecoins could eventually draw deposits from banks. Its community-bank fact sheet emphasizes the uncertainty surrounding estimates of future deposit migration. The agency's public statements have focused on monitoring developments rather than creating automatic responses tied to particular adoption levels. Comptroller Jonathan Gould has similarly stated that if deposits began leaving the banking system at a meaningful scale, regulators would notice and could respond.

It is also important to note that deposit migration was never the subject of a specific requirement in either the proposal or the final rule. The OCC did not propose deposit-outflow limits, adoption-based thresholds, or other automatic responses tied to migration concerns. As a result, the agency's statements on deposit migration are best understood as guidance on how it views the issue rather than evidence of a change between proposal and the final rule.

3. On Liquidity Risk, the OCC Shifted from Standardized Requirements Toward Tailored Oversight

Stablecoins only work if people trust they can convert them into dollars whenever they want. If that trust weakens, redemption requests can surge, creating pressures similar to a traditional bank run.

The final rule keeps several safeguards aimed at mitigating that risk. Issuers generally must redeem stablecoins within two business days of a redemption request, subject to the rule's applicable conditions and any authorized extension, and must notify the OCC within 24 hours if redemption requests exceed 10 percent of a stablecoin's outstanding issuance during any single 24-hour period.

Those commitments matter only if the assets backing the stablecoin can be converted into cash quickly. For that reason, the rule limits reserve assets largely to cash, Federal Reserve balances, qualifying deposits at insured banks, Treasury securities maturing in 93 days or less, qualifying overnight repo and reverse-repo agreements, shares in qualifying investment funds that hold only eligible reserve assets, and the other similarly

liquid federal-government-issued assets approved by the OCC.[2] Tokenized versions of these otherwise eligible assets are permitted as well. Stocks, corporate debt, and crypto assets that do not otherwise qualify under the permitted reserve categories are ineligible.

Issuers must also hold at least 5 percent of reserve assets in qualifying on-demand deposits, payable-on-demand share accounts, or Federal Reserve balances, giving them a pool of assets available to meet immediate redemption needs.

The rule further limits exposure to any single counterparty to 40 percent of reserve assets, subject to several exceptions. The goal is to prevent problems at any one institution from threatening the value of a stablecoin's reserves. This matters because not all reserves carry the same risk. Treasury securities are backed directly by the U.S. government, while an uninsured deposit at a bank depends on the financial condition of the bank.

These requirements are examples of hard regulatory constraints. At the same time, reserve management also involves issuer-specific liquidity assessments, stress testing, and supervisory review. The framework therefore combines standardized requirements with supervisory judgment.

Capital requirements follow a similar pattern. The final rule extends the $5 million minimum capital floor beyond the initial three-year de novo period, making it an ongoing requirement. Above that floor, capital requirements depend on an issuer's circumstances and risk profile. As with liquidity oversight, the framework combines a fixed dollar floor with issuer-specific supervisory assessment.

The clearest changes from the proposal involve liquidity management during periods of stress. Compared with the quantitative standards considered in the proposal, the final

[2] The rule permits both qualifying overnight repurchase and reverse-repurchase arrangements. From the issuer's perspective, a reverse repo involves lending cash against Treasury collateral, while a repo involves borrowing cash against Treasuries. For reserve valuation, cash received through a repo is offset by the corresponding repurchase obligation, so the transaction provides liquidity without creating additional net reserve backing. See 12 CFR § 15.11(b)(4)–(5) and the definition of "reserve asset value" in § 15.2.

rule sets a lower daily-liquidity minimum and does not adopt the proposed weekly-liquidity threshold or portfolio-wide weighted-average-maturity cap. It also replaces the proposal's automatic redemption-extension mechanism with a process that relies on supervisory judgment.

OCC GENIUS Act rule: key changes from proposal to final rule

Provision	Proposed rule (March 2026)	Final rule (Oct 2026)
Third-party rewards	Certain third-party rewards presumed to violate the interest ban unless shown otherwise	Case-by-case review
Daily liquidity	10% of reserves in demand deposits or Fed balances	At least 5% of reserve assets in qualifying on-demand deposits, payable-on-demand share accounts, or Federal Reserve balances
Weekly liquidity	30% available within 5 business days	Proposed threshold not adopted
Weighted-average maturity	20-day portfolio-wide cap	Proposed portfolio cap not adopted; separate 93-day Treasury eligibility limit remains
Redemption stress extension	Automatic extension of redemption period to seven calendar days at the 10% threshold	Automatic extension eliminated; extension now granted at OCC discretion
Concentration limit	40% limit on specified exposures to an eligible financial institution under	Covered exposure to one counterparty limited to 40% of reserve assets, subject

	the proposal's quantitative approach	to specified exclusions
Capital floor	$5 million during a 3-year de novo period	$5 million ongoing minimum floor, extending beyond the three-year de novo period; supplemented by issuer-specific requirements
Stress testing and monetization	Not required (comment requested)	New requirement: redemption scenario analysis, demonstrated ability to monetize reserves, regular stress tests

Sources: OCC notice of proposed rulemaking, 91 Fed. Reg. 10202 (March 2, 2026); OCC final rule implementing the GENIUS Act, 12 CFR Part 15 (effective January 18, 2027); and reporting by Ledger Insights. The OCC's proposal included multiple regulatory options rather than a single set of mandatory requirements. The table summarizes the proposal's key quantitative standards and compares them with the final rule. The final framework combines principles-based supervision with modified daily-liquidity and counterparty-exposure limits. The counterparty-exposure limit does not apply to U.S. government securities, qualifying custodians, or centrally cleared repo transactions.

Under the proposal, redemption requests exceeding 10 percent of outstanding issuance within 24 hours would automatically have extended the redemption period to seven calendar days. The final rule removes that automatic trigger. Issuers must still notify the OCC when the threshold is reached, but any extension now requires agency approval. The OCC agreed with commenters who argued that an automatic extension could trigger or worsen runs during periods of stress. Commenters also argued that a predictable threshold could encourage investors to redeem before it was reached.

The distinction is often described as a choice between quantitative rules and supervisory judgment, but that overstates the difference. The final rule still contains significant quantitative requirements governing reserves, liquidity, concentrations, capital, and redemptions. The larger change is that it relies less on uniform requirements applied identically to every issuer and more on issuer-specific supervision.

The policy choice is therefore better understood as one between standardized requirements and tailored oversight.

The Larger Policy Question

The final rule retains reserve, liquidity, concentration, capital, and redemption requirements, so stablecoin issuers still face meaningful safeguards. What has changed is how much of the framework is defined through standardized rules versus left to supervisory judgment. The OCC's final rule places somewhat greater weight on the latter approach while preserving significant quantitative requirements. Whether that balance proves effective will depend not only on the safeguards themselves but also on how consistently supervisors apply them in practice.

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