



# **ANPRM related to the US Treasury's implementation of the GENIUS Act**

UK Finance submission

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## UK Finance Response to the Advance Notice of Proposed Rulemaking (ANPRM) Related to the Implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act

### Introduction

The UK and US have deep economic ties, and financial services is no different. It represents one of the most significant bilateral financial services trading relationships globally, where almost a third of the UK's financial services exports go to the US with the UK exporting £28.4 billion of financial services trade to the US<sup>1</sup>. The US is therefore a key market for our members, and our members welcome the opportunity to provide respond to the US Treasury's ANPRM, requesting comment on the implementation of the GENIUS Act.

As US policymakers will know, the UK government and regulatory authorities are currently developing the UK's own regulatory regime for stablecoins, due to be implemented by Q1 2027<sup>2</sup>. Our members are generally supportive of the GENIUS Act's level one requirements, carve ins/outs and activities which replicate other jurisdictions' regulatory frameworks, including the UK's. This includes 1:1 asset reserve<sup>3</sup> compositions, safeguarding, redemption requirements, and a prohibition on interest. These measures are critical to enabling UK and

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<sup>1</sup> See the Office for National Statistics' assessment of [UK trade with the United States: 2024](#).

<sup>2</sup> See [UK Finance's response](#) to the UK Financial Conduct Authority's (FCA) proposed regime for non-systemic stablecoin issuers and cryptoasset custodians authorised in the UK (CP25/14).

<sup>3</sup> We have included technical comments in relation to the GENIUS Act's reserve requirements.

US firms to engage confidently in cross-border activity, especially in areas such as stablecoin issuance.

Additionally, given stablecoins are an emerging area, standards and regulatory frameworks in many jurisdictions are still being developed. This creates an opening for the US to futureproof its regime by having recognition principles which can be used as jurisdictions develop their own frameworks. The recently announced UK-US Taskforce on the Future of Financial Markets might also provide an opportunity to explore this further.

Below we have outlined key points raised by members which look to support US policymakers enable the requirements under the GENIUS Act to facilitate international alignment. We have also included some technical comments in the final section which outline UK Finance's thinking towards the UK's regulatory regime for non-systemic stablecoin issuance requirements. Our thinking has primarily been developed via the detailed response UK Finance submitted to the UK Financial Conduct Authority's (FCA) '[Stablecoin issuance and cryptoasset custody](#)' consultation paper (CP25/14).

As UK Finance has raised with regulators<sup>4</sup>, we recognise the challenge of regulating the nascent market of stablecoins, and the importance of monitoring how these assets are changing in the medium-to-long term. Our members take note of the challenges facing US policymakers in finalising the US' stablecoins issuance regulatory regime, including the cross-jurisdictional implications, particularly regarding topics such as multi-issuance stablecoins. We look forward to working with regulatory authorities across jurisdictions (including the US) to ensure policymakers remain focused on ensuring consumer protections and wider resilience of the international financial and banking system.

### Key messages

- ▶ Apply GENIUS Act determinations to ensure clear supervisory cooperation arrangements that preserve cross-border access and interoperability of different regulated payment and settlement frameworks: The recognition measures for stablecoins under the GENIUS Act via the determination of the UK would increase cross border flows of financial services trade, owing to reduced regulatory barriers between the jurisdictions.
- ▶ Clarity on Anti-Money Laundering (AML) and financial crime requirements: The Act outlines the expectation for stablecoin issuers to comply with the Bank Secrecy Act (BSA). Our members believe that it is critical for all public authorities to provide clarity on AML requirements for stablecoins across all use cases. Strong AML requirements are in the best interests of all market participants; however, the boundaries of firms' responsibilities need to be clearly established, in particular, the question of how far up the chain firms need to look.
- ▶ Clear definitions and taxonomy: In the UK, stablecoins are regulated under a number of different regimes that sit under the Financial Services and Markets Act (FSMA) 2023. It is

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<sup>4</sup> See section 1.1 of UK Finance's response to CP25/14.

therefore important that definitions and activities are consistent across the multiple sets of requirements to ensure specific cryptoasset firms<sup>5</sup> (issuers, intermediaries, etc) are clear on which requirements they are expected to undertake.

### **Recognition determination for the UK**

Section 18<sup>6</sup> notes that an overseas payment stablecoin issuer subject to regulation and supervision by an overseas regulator can operate in the US if the Secretary of the Treasury, in consultation with the Stablecoin Certification Review Committee, make a determination as to whether a foreign country has a regulatory and supervisory regime that is considered comparable. The UK implements high but proportionate international standards, as such once the UK's stablecoin regime is established, our members encourage the US Treasury to make a recognition determination for the UK as a matter of priority. Such recognition would build on established supervisory cooperation between our jurisdictions and help build cross-border access and interoperability in digital financial market.

If the US makes a determination for the UK's regime, we appreciate the US would also want to be recognised by the UK. UK-based industry would support HM Treasury considering this.

### **Outcomes/risk-based approach**

While the UK does not yet have a fully implemented regulatory regime for stablecoins, the draft framework set out in recent consultation papers, including CP25/14, demonstrates strong alignment with the core principles of the GENIUS Act. UK proposals reflect comparable outcomes across key areas such as issuer authorisation, 1:1 reserve backing, redemption at par, consumer protection and AML/KYC standards. Although some technical details are still under development, the direction of travel is clear. We therefore encourage the US Treasury to adopt an outcomes/risk based approach when assessing the "comparable effect"<sup>8</sup> of foreign regimes under Section 18, recognising the substance and intent of the UK's evolving regime. The US Treasury should consider the UK's 'Overseas Recognition Regimes'<sup>9</sup> as a good example of implementing outcomes-based recognition for comparable jurisdictions. We would welcome further dialogue on the technical criteria for comparability and stand ready to support the Treasury's assessment process.

### **A consistent approach**

Not only would this be positive for financial services trade between the US and UK, establishing US jurisdictional determinations early would send a powerful signal to the global regulatory community. As many jurisdictions are still shaping their stablecoin regimes, the US

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<sup>5</sup> In this document we use the term 'cryptoasset firm' as a generic term to describe any person that will be carrying on a regulated cryptoasset-related activity, which may also include existing UK-authorized firms. Where a response requires reference to a specific type of firm, for example a UK stablecoin issuer, we make that clear in the text.

<sup>6</sup> Section 18(d)(C).

<sup>8</sup> 18(a)(1)(b).

<sup>9</sup> See the UK [Financial Services Overseas Recognition Regimes](#).

is uniquely positioned to lead by example and set a high bar for transparency, interoperability and regulatory excellence. By doing so, the US can help foster a more open and aligned international financial system, encouraging others to follow its lead and adopt similarly robust standards.

This international standard would also invariably reduce costs for US stablecoin issuers in the longer term. Encouraging recognition determinations globally for comparable jurisdictions would allow US stablecoin issuers to more easily be able to access the international market owing to streamlined regulatory requirements, therefore increasing revenue from access to a larger international consumer base.

We also note that the new Chair of the Financial Stability Board (FSB), Governor of the Bank of England Andrew Bailey will prioritise international work on stablecoins through the FSB in 2026. Strong engagement in this work by the US agencies would help develop robust international frameworks that, in turn, ensure interoperability across jurisdictions' own domestic regulatory regimes for stablecoin issuance. Additionally, we would encourage the central banks across the UK and US to work together to manage macro-economic risks.

### **A more robust prohibition on interest-bearing tokens should be considered**

As outlined above, both the UK and US are looking to restrict stablecoin issuers passing on revenue derived from interest on the backing assets. This is to ensure payment stablecoins are used more as money-like instruments, as opposed to investment-like instruments. However, as we've raised with the FCA, under the UK's regime,<sup>7</sup> it appears stablecoin issuers would still be permitted to remunerate holders through other sources such as payments by third parties. This would appear to allow stablecoin issuers to pay holders of stablecoins based on other revenues, such as retained profits of the backing asset pools of other stablecoins via lotteries or prizes, account opening bonuses, share reward mechanisms and payment rewards. We suggested, to the FCA, the need for a more robust prohibition scope.

### **Multi-currency referenced stablecoin tokens**

While the GENIUS Act only permits stablecoins referenced to assets derived in one national currency<sup>8</sup>, we would like to raise points our members have expressed on stablecoins that may reference multiple different currencies as the FCA is looking to permit this. Members raised some concerns around how backing assets referenced to multiple currencies may introduce additional FX risk and it is likely that the costs/risks this creates are not proportionate to the benefits, and that ultimately exposure to this greater range of risks may reduce confidence in these firms. However, some members are of the view that if an issuer is sophisticated enough to manage the FX risks, then they should be given the flexibility to maintain backing assets in different currencies if the portfolio is appropriately hedged so it achieves exposure to the central backing currency.

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<sup>7</sup> See our response to question 4 of CP25/14.

<sup>8</sup> Section 2(17).

## Annex

Related to the 'outcomes/risk-based approach' point raised in this response:

- ▶ One member flagged that the original drafting of the GENIUS Act (S.394) under Section 4(a)(ii) permitted all 'regulated foreign depository institutions' to hold on-demand deposits for stablecoin issuers. This was re-drafted (Section 1(5)(8)(2) to only cover 'insured depository institutions' in the final text. They flagged that many US based FDIs have full state and federal level supervision to ensure collateral management, which suggests permitting regulated foreign depository institutions does not impede on the framework's risk appetite.
- ▶ We would also like to highlight our members' thinking towards proposed redemption timelines outlined in the FCA's CP25/14<sup>9</sup>, whereby our members support stablecoin token holders having access to equivalent redemption timelines as other 'money-like' functions like e-money. We would therefore suggest that US policymakers consider addressing redemption guidelines (specifically, the timelines within which customers can expect to receive fiat in exchange for their stablecoin) in supplementary regulatory rules and guidance.

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<sup>9</sup> See UK Finance's response to question 5 of our response.