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M E M O R A N D U M

To:	**Hon. Scott Bessent, Secretary, US Department of the Treasury**
From:	**Andrew Langer, Director, Center for Regulatory Freedom, CPAC Foundation**
Date:	**November 4, 2025**
Re:	**Comments to US Department of the Treasury, Notice of Proposed Rulemaking, "Guiding and Establishing National Innovation for U.S. Stablecoins Act Implementation (GENIUS Act), Docket #TREAS-DO-2025-0037, Published September 17, 2025**

Below are comments of the American Conservative Union Foundation's (d/b/a. Conservative Political Action Coalition Foundation) (hereinafter "CPAC Foundation") Center for Regulatory Freedom (hereinafter "CRF"), in response to the US Department of the Treasury Notice of Proposed Rulemaking, "Guiding and Establishing National Innovation for U.S. Stablecoins Act Implementation (GENIUS Act), Docket #TREAS-DO-2025-0037, published September 17, 2025.

CRF is a project of the CPAC Foundation, a non-profit, non-partisan 501(c)(3) research and education foundation. Our mission is to inject a common-sense perspective into the regulatory process, to ensure that the risks and costs of regulations are fully based on sound scientific and economic evidence, and to ensure that the voices, interests, and freedoms of Americans, and especially of small businesses, are fully represented in the regulatory process and debates. Finally, we work to ensure that regulatory proposals address real problems, that the proposals serve to ameliorate those problems, and, perhaps most importantly, that those proposals do not, in fact, make public policy problems worse.

Introduction

Cryptocurrency policy has arrived at a moment in which history, law, and technology are colliding — and in which the federal government must make a foundational decision: will the United States shape the next generation of digital settlement under the rule of law, or will it allow foreign powers, unaccountable regulators, or private payment platforms to shape that

evolution for us? For more than a decade, digital assets have been reduced in policy conversations to either hype cycles or enforcement narratives. But the underlying reality is simpler and more consequential than either: the technology has matured into a settlement infrastructure. Dollar-expression now has a programmable rail. That is not a curiosity. That is a transition in how the U.S. financial system transacts value.

Much of the early regulatory confusion arose because policymakers attempted to cram digital assets into pre-existing conceptual buckets — securities, commodities, currencies — each controlled by different statutory lineages and agency cultures. That fragmentation allowed enforcement-first frameworks to dominate before the definitional questions were resolved, and it opened the door to regulatory actors who approached digital assets with suspicion rather than neutrality. That is how the U.S. found itself in a de facto "policy vacuum," in which enforcement became the substitute for rulemaking. We warned of exactly this in prior published work.

And, as CRF highlighted in our comments several weeks ago in response to Treasury's illicit-activity RFI, it is precisely this vacuum — not a lack of technological clarity — that has led to bad policy instincts: the impulse to treat digital assets as inherently illicit, inherently opaque, inherently dangerous. But traceability is not a defect of public blockchains — it is their core compliance benefit. And as we emphasized there, enforcement postures that treat settlement infrastructure itself as the risk — rather than policing the actual AML touchpoints — do not make the system safer. They make it more likely that innovators and liquidity migrate offshore where U.S. oversight cannot reach them.

At the same time, this vacuum has also emboldened some within the executive branch and its allied policy ecosystem to use payment infrastructure as a culture-war filtering tool — to exclude lawful but politically disfavored sectors from access to digital rails. This is not theoretical. CRF has written extensively about the modern iterations of this phenomenon, including the "Choke Point" dynamic being replicated in digital form. Stablecoins — if GENIUS is implemented without clear guardrails — could become the next battleground. Congress did not authorize a private CBDC with platform-level veto power over lawful commerce. Implementation must preserve that limit.

What makes the GENIUS Act different — and what makes this rulemaking moment uniquely consequential — is that Congress has finally chosen to make an affirmative policy decision about digital settlement. It has chosen to acknowledge that tokenized dollars exist, will continue to exist, and must be supervised as such. There is no ambiguity left about whether digital settlement is "real." The only remaining ambiguity — and it is completely outcome-determinative — is whether Treasury implements GENIUS as a modernization statute or as a containment statute.

And it bears emphasizing: the rest of the world is not waiting for us to resolve this question. China has fused digital-currency development to geopolitical strategy. Europe is piloting programmable digital settlement as a tool of strategic autonomy. The jurisdictions that behave most decisively will write the operating assumptions of the next global settlement era. If the U.S. implements GENIUS timidly, or translates it into a disguised enforcement bulwark, it will not prevent the future — it will simply surrender American influence over how that future is designed.

Which is why, in these comments, CRF strongly urges Treasury to ground GENIUS implementation in purpose — not fear. The purpose is settlement modernization, rule-of-law clarity, competitive positioning, and constitutional boundaries around what intermediaries are

and are not permitted to do. Treasury is being asked to implement a modernization statute, not to litigate the cultural anxieties that have attached themselves to digital assets over the last decade. The stakes are not simply regulatory — they are strategic.

Executive Summary

Modernization of dollar settlement infrastructure is not theoretical — it is already underway in the marketplace. GENIUS provides a framework for ensuring that this modernization occurs under U.S. jurisdiction, using U.S. law, rather than being driven offshore or shaped by foreign sovereigns. Stablecoins, when properly structured, are not speculative instruments — they are payment-settlement objects. GENIUS implementation must therefore be aligned with the statute's purpose: clear, operational, competitive, and proportionate standards that recognize what these instruments *are* — and what they are *not.*

Accordingly, CRF emphasizes the following:

- **GENIUS is a *payments* modernization policy — not a crypto-speculation statute — and implementation must reflect that distinction.**

- **Stablecoins represent the next generation of dollar settlement rails — the U.S. must implement GENIUS in a way that keeps this innovation onshore rather than driving it into foreign legal regimes.**

- **Regulatory "right-sizing" is essential — fully-reserved stablecoins are not engaged in fractional-reserve banking and should not be regulated as banks by default.**

- **Reserve composition, attestation, redemption integrity, and custody segregation — not capital-regime imposition — are the core elements that protect users and preserve confidence.**

- **AML oversight must be *proportionate* to risk — stablecoins are *more* traceable than cash — and AML enforcement should focus on actual chokepoints, not the existence of the settlement rail itself.**

- **Treasury must explicitly prevent platforms from using GENIUS to create *private chokepoints* against disfavored but lawful industries — the settlement rail cannot become a vector for digital "Operation Choke Point 2.0."**

- **Implementation must not create ambiguity that drives tokenized-USD settlement offshore — global competitors are actively seeking to define programmable settlement in their own image.**

- **Dollar primacy in a programmable-settlement era depends upon the U.S. providing the most reliable, clear, and usable rails — GENIUS is how the United States retains that primacy.**

- **The prohibition on *any* form of yield — direct or indirect — must be enforced functionally, not linguistically — no affiliate or loophole structures may be permitted to confer return economics on stablecoin balances.**

In sum, Treasury's task here is to enforce *boundaries* — not to create *barriers.* GENIUS can modernize settlement and preserve the dollar's central role in global finance — so long as implementation is faithful to the statute's purpose and calibrated to how programmable settlement actually functions in practice.

I. The Purpose of GENIUS

The GENIUS Act is not simply another incremental regulatory tweak to the status quo of financial services oversight. It represents a structural modernization of how dollar-denominated value can settle and move. Congress is not attempting to merely place a regulatory wrapper around existing crypto products. Rather, GENIUS is Congress recognizing that the architecture of dollar settlement itself is evolving. The Act's purpose is to formally acknowledge tokenized dollars as a legitimate settlement rail, rather than treating them as speculative assets or bank-account proxies.

The shift to tokenized settlement must be understood as a payments and infrastructure modernization initiative, not a cultural or ideological referendum on digital assets. Tokenized dollars are still dollars. They are not an exotic new species of financial instrument. They settle differently, they move differently, and they allow new modes of economic interaction. Congress understood this — and the GENIUS Act is the opportunity to craft a purpose-built framework that fits this reality rather than constraining it within legacy categories that never contemplated programmable settlement.

GENIUS therefore must be implemented with precision. Regulatory categories that made sense in the 1930s, or even the 1990s, cannot simply be forced onto tokenized settlement without consequence. The purpose of the Act is not to declare digital dollars as merely a subclass of deposit instruments nor is it to jam them into a capital regime that is optimized for lending. Stablecoins, when structured as one-to-one reserve-backed instruments, are not fractional-reserve liabilities. They are payment objects. They should be regulated as such.

But clarity in purpose cuts both ways: the Act is also meant to prevent a regulatory vacuum. Congress intended to draw real jurisdictional lines so that stablecoin issuance and redemption does not become a shadow-banking venue. The goal is not to unleash unregulated issuers. The goal is to harness a new settlement modality while ensuring it remains within a coherent supervisory perimeter. That perimeter must be explicit enough to prevent risk migration, but calibrated enough to avoid crushing the very infrastructure Congress sought to validate.

GENIUS must therefore be implemented as an enabling law. Not a punitive one. The purpose is to create conditions under which next-generation payments infrastructure can develop here, using the dollar, under U.S. rule of law, rather than abroad. Other jurisdictions are aggressively building their own frameworks to attract this activity. If implementation tilts toward prohibition through ambiguity, innovation will not disappear — it will simply relocate. That is not the result Congress intended.

The purpose is also to give both issuers and end users certainty. Institutional adoption depends on predictable regulatory classification. Banks, broker-dealers, payment processors, and fintech platforms cannot integrate stablecoin rails at scale if their compliance posture is perpetually subject to reinterpretation. The Act exists to end that ambiguity.

And importantly, the purpose of GENIUS is not to reposition Treasury as an intelligence agency. AML enforcement matters — but it is not the animating rationale of the statute. The core purpose is establishing a lawful, traceable, dollar-denominated settlement instrument with clear parameters. Implementation that treats GENIUS primarily as an AML intervention would misalign statute with intent.

In short, the purpose of GENIUS is to recognize that the dollar is now a networked object that can move on programmable rails, and to ensure that this innovation — which is inevitable — happens under a clear, American regulatory framework. It is a modernization mandate. It is meant to keep digital-dollar settlement within U.S. regulatory jurisdiction, with compliance certainty, without crippling the engineering and commercial dynamism that made the United States the global center of financial innovation to begin with.

II. Stablecoins as the Future of Clearing & Settlement

The central conceptual error repeatedly made in policy debates is the treatment of stablecoins as though they were simply another speculative crypto asset. They are not. When designed as fully-reserved, one-to-one redeemable instruments, they function as *dollar settlement objects.* In other words, these are dollars that settle over new rails — and the rails themselves are the innovation. This is why GENIUS is fundamentally a payments infrastructure statute, not a digital-asset capital-markets statute. It is about how the dollar moves — not about speculative exposure.

Traditional bank settlement architecture is built on deferred netting, reconciliation windows, intermediary-to-intermediary messaging, daylight overdraft risk, and return-settlement processes. Tokenized dollars invert that entire structure. Instead of asynchronous messaging and post-facto reconciliation, tokenized settlement finalizes *at point of transfer* — digitally, cryptographically, and with economic finality recognized by both counterparties. In a world where commerce is increasingly machine-to-machine, programmatically triggered, and continuous rather than episodic, this is a necessary evolution.

Stablecoins therefore represent a direct response to what global markets already demand: instant settlement, programmable settlement logic, and interoperable settlement domains that are not constrained by the legacy intraday liquidity architecture of correspondent banking. It is not that the bank model is obsolete — but it is not optimized for the new mode of commerce. And when the settlement layer is mis-aligned with commercial reality, inefficiency manifests in fees, friction, and widening spreads that are borne by consumers and small businesses.

It is significant that traditional payment rails have become more expensive and slower relative to global peer innovations. While domestic Fed settlement windows have narrowed, global competition is trending toward complete real-time programmability and interoperable cross-border clearing. If the United States were to treat stablecoins merely as a novelty, or worse, as an AML threat to be discouraged, we would be ceding the next generation of settlement systems to foreign regimes that are actively attempting to dethrone the dollar in global clearing.

Stablecoins also provide a settlement modality that does not require the receiving institution to have built a direct banking relationship with the originating institution. That removes layers of bilateral dependency in legacy correspondent banking, which is particularly relevant for cross-border commerce. That reduction of dependency does not eliminate regulatory oversight — it

simply changes where the chokepoints exist. GENIUS is the mechanism to make sure those chokepoints are defined by legal architecture — not arbitrary platform terms of service.

This is also the first time the United States faces credible competition for settlement-layer primacy. Historically, the dollar's dominance was assumed because the dollar's settlement rails were the most efficient and trusted. Tokenized foreign settlement currencies now challenge that assumption. If U.S. regulators suppress tokenized dollar settlement through structural misclassification, they will not suppress tokenized settlement — they will merely accelerate adoption of non-U.S. instruments.

Stablecoins also eliminate the conceptual tension between messaging and movement. Under legacy models, the banking system "tells" counterparties what has happened while the actual movement of value is processed under a separate layer. Tokenized dollars unify those layers — the transfer *is the settlement event.* This union is the core of the efficiency gains GENIUS is meant to recognize and permit.

Therefore, stablecoins are not a regulatory nuisance — they are the natural successor to the dollar's settlement infrastructure. GENIUS implementation must reflect that reality. If the U.S. treats tokenized settlement as a threat rather than as a modernization opportunity, the innovation will go offshore — and the dollar's competitive edge will go with it.

III. Regulatory "Right-Sizing" vs. Bank Retrofits

The most common regulatory error in the stablecoin policy space is the reflexive urge to retrofit legacy banking classifications onto instruments that are not engaged in bank-function activity. Fractional-reserve banking is a credit-transformation model. A fully-reserved stablecoin is not. It is a payments-settlement object. Treating the two as equivalent is not analytical rigor — it is a category mistake. GENIUS must be implemented in a way that makes this fundamental distinction explicit, or else the entire statute collapses back into the very ambiguity Congress was trying to cure.

The purpose of the banking regulatory model is to regulate *lending.* It is not to regulate settlement. Bank capital and liquidity rules exist because banks *transform* deposits into credit exposures. That is not what a compliant, fully-reserved stablecoin does. A stablecoin issuer — under the GENIUS structure — is essentially a custody + attestation + redemption actor. They are not maturity transformers. They are not lending against deposits. They are not creating pro-cyclical credit multipliers. They are providing a tokenized instrument representing an existing dollar.

If regulators attempt to treat GENIUS-compliant stablecoin issuers as banks, the practical effect will be to shove a payments-infrastructure evolution into a capital-regime designed for a completely different risk category. The result would not be improved safety. The result would be to make stablecoin issuance non-viable except for the largest banks — which is not what Congress intended. GENIUS was not a charter consolidation act. It was a *market-enablement* act.

This also means that implementation must resist regulatory "backdoor-banking" attempts via definitional ambiguity. If the regulatory perimeter is drawn such that any platform which touches stablecoin issuance or redemption is treated as a de facto deposit-taking institution, then the

statute will become indistinguishable from a soft ban. The statute cannot become a Trojan horse for a refusal to acknowledge that the payments function is technologically evolving.

Right-sizing also means distinguishing between *prudential* risk and *operational* risk. Operational risk must be supervised — particularly with respect to attestation, custody segregation, and redemption integrity. But designating a fully-reserved settlement object as a lending liability invites the wrong supervisory tools to the table. It would import Basel-style capital expectations onto entities that are not performing maturity transformation — thereby creating compliance burdens untethered from actual risk vectors.

Moreover, if implementation treats these instruments as deposit substitutes rather than settlement instruments, it will create institutional hesitation to adopt. Banks will simply wait for interpretive guidance to move — and fintechs will avoid the entire category out of fear of mid-regime reclassification. The result would be regulatory chill and continued lack of settlement modernization. GENIUS implementation cannot produce paralysis through definitional uncertainty.

Right-sizing also preserves accountability. If a stablecoin issuer begins to engage in lending or synthetic yield generation — fine — then that entity becomes a bank or a securities issuer based on its conduct. The test should be *functional.* But implementation should not treat every issuer as though they already are. You regulate the activity actually occurring — not a hypothetical that might occur.

If GENIUS implementation is calibrated correctly, the United States will have a parallel payments regime — supervised, transparent, operationally safe — without forcing every participant into bank-capital status. That is the correct reading of congressional intent. GENIUS was not designed to collapse stablecoins back into banking. It was designed to prevent stablecoins from becoming unregulated banks — while allowing them to be what they actually are.

IV. Reserve Composition, 1:1 Attestation, and Confidence Mechanics

The core confidence mechanism for a compliant stablecoin is not hype, not tokenomics, not speculative narrative — it is the reserve composition. One-to-one backing is not a slogan; it is an operational construct. A stablecoin under the GENIUS architecture is supposed to represent a dollar — not a derivative exposure to a dollar, not a fractional claim, not an algorithmic balancing assertion. If a token purports to be a dollar, it must be immediately redeemable for a dollar. That is the anchor — and reserve structure is how that anchor is made real.

This means that GENIUS implementation must define, with specificity, what constitutes a qualified reserve. Ambiguity is not a friend to market confidence. If reserve definitions are too flexible, issuers will arbitrage them — not because they are malicious, but because market incentives reward return on reserves. If reserve definitions are too restrictive, the stablecoin becomes inert and commercially non-viable. The correct calibration is a reserve regime that is dollar-for-dollar, low-risk, short-duration, and frictionlessly auditable. That is not a novel concept — it is simply codifying sound financial prudence.

Attestation is the second half of this confidence equation. A reserve standard is meaningless if no one can independently verify that the reserve actually exists. Attestation does not need to be

adversarial — but it needs to be credible. "Trust us" is not a compliance paradigm. Conversely, turning attestation into continuous, bank-exam-mode supervisory intrusion would kill the category outright. The attestation regime must be designed around the purpose: verifying that the reserve is real, without migrating into prudential micromanagement of operational minutiae.

Redemption integrity is the third leg of the stool. If a stablecoin is backed one-to-one, but redemption friction prevents users from actually converting token to cash on demand, the claim of one-to-one backing loses all commercial meaning. Redemption delay risk is itself a form of de facto fractionalization. Therefore GENIUS implementation must ensure that redemption cannot be throttled, suspended, or conditioned upon arbitrary platform discretion. Redemption integrity is the check against hidden leverage.

Confidence mechanics also require clarity around custody segregation. If issuers commingle reserves with operating capital, the separation between the settlement instrument and the platform enterprise dissolves. This is not merely an accounting risk — it is a failure of the legal architecture of the instrument. A dollar-backed token must represent a legally segregated claim — not a general corporate asset. That segregation is how redemption priority becomes enforceable rather than theoretical.

None of these concepts require inventing new regulatory doctrine. They require correctly applying existing financial discipline to a new settlement modality. The reserve construct is actually the least exotic part of the category. The exotic part is the rail — not the backing. Implementation energy should therefore not be wasted reinventing the concept of "a dollar." The statute should focus on the rule set surrounding the thing that is actually novel: programmable, instantaneous, borderless settlement.

Finally, confidence mechanics are inseparable from competitive viability. If the United States implements reserve standards that are materially more restrictive than other dollar-offshore settlement regimes, the predictable outcome is jurisdictional arbitrage. GENIUS must guard against both under-specification and over-specification. Confidence is a function of clarity — not maximalism. The right calibration is the one that ensures that one token equals one dollar — and that the market understands why that is so.

V. Illicit Finance / AML / Proportionality

There is a persistent analytical flaw in much of the public discussion around stablecoins — the assumption that they present a uniquely elevated illicit finance risk relative to existing monetary instruments. This assumption is asserted frequently, but not demonstrated empirically. Physical cash is anonymous. Stablecoins, when built on public ledgers, are not. They are inherently traceable. Law enforcement has repeatedly used on-chain data to reconstruct flow paths with precision that is simply not possible in physical-cash investigations. GENIUS must therefore implement AML obligations proportionately, not reflexively.

Proportionality is not leniency. Proportionality is alignment. AML frameworks should match the risk vector of the instrument. A fully reserved, publicly traceable, on-chain dollar instrument is not functionally analogous to a bearer instrument that leaves no audit trail. Treating it as though it were worse than cash — or even equivalent to cash — is a category distortion that will lead to regulatory overreach, not improved safety. Congress did not enact GENIUS to create a punitive

carve-out for digital dollars. It enacted GENIUS to define a legal perimeter within which tokenized dollars can be supervised rationally.

A disproportionate AML posture would also have a strategic effect: it would encourage offshore adoption. The United States does not control the global supply of stablecoins. If American policy makes it impractical to issue U.S.-compliant stablecoins within U.S. jurisdiction, the activity will migrate to non-U.S. frameworks that carry their own AML norms. That does not improve global AML outcomes. It simply removes U.S. oversight from the category. Policymakers must internalize that enforcement postures that are too aggressive are, in some cases, effectively deregulatory — because they push the activity beyond the regulatory perimeter entirely.

The other risk of AML maximalism is that it misunderstands where the risk actually sits. The risk is not “a stablecoin exists.” The risk is the interface between the token environment and the off-chain fiat world. Exchanges, custodians, redemption channels — these are the AML touchpoints. They are precisely identifiable, discrete, and monitorable. A strategy centered on broad suspicion of the instrument misses where AML enforcement is both most efficient and most likely to generate usable intelligence. GENIUS implementation should therefore target the nodes — not the rail.

Congress also did not intend GENIUS to serve as a platform to re-litigate generalized anxieties about crypto speculation. The category at issue here is not high-volatility trading. It is payment settlement. AML-overhang rooted in cultural discomfort with other segments of the digital asset universe would misalign statute with implementation. A stablecoin is not a meme token. Treating them as equivalent is analytically lazy and strategically harmful.

The most durable AML models are those that recognize that traceability is an advantage, not a defect. The ledger is the receipt. Law enforcement does not need to imagine a post-transaction forensics trail; the trail is literally encoded in the instrument. That feature is why AML proportionality is not just a matter of fairness — it is also a matter of enforcement efficacy. You do not need to cripple the category to police it. You need to police it where AML risks actually manifest.

GENIUS must therefore affirm the principle that AML is a compliance domain — not the animating rationale of the statute. Implementation must acknowledge AML obligations, but those obligations must not become the pretext for suppressing the settlement-modernization purpose of the Act. Congress intended stablecoins to be supervised — not suffocated.

In sum, AML must be conducted in proportion to actual risk-geometry — with enforcement concentrated at custodial and redemption gateways, not deployed as a blanket suspicion of the instrument itself. That is the legally coherent way to implement GENIUS, and the only way to ensure that AML enforcement does not end up substituting for — or displacing — the statute’s core modernization purpose.

VI. Preventing Private Chokepoints Against Lawful / Constitutionally Protected Commerce

A critical implementation risk that Congress did not intend — but which must now be explicitly guarded against — is the emergence of *private* chokepoints whereby stablecoin rails could become instruments of ideological commerce filtering. We have already seen non-stablecoin

digital-payment platforms adopt terms of service that prohibit perfectly lawful transactions, including lawful firearm and ammunition purchases. Nothing in GENIUS authorizes stablecoin intermediaries to act as private regulators of constitutional rights. Implementation must make that clear. A digital dollar is still a dollar. It does not acquire new regulatory censorship powers simply because the settlement rail is digital.

This point is not theoretical. The market has provided real examples. One major digital-currency product — entirely outside GENIUS — adopted user terms that explicitly prohibited firearms-related commerce. That is not a financial-stability concern, nor an AML concern, nor a prudential-risk mitigant. That is a political filter dressed up as a payments rule. GENIUS implementation must prevent this pattern from becoming the default in tokenized dollar markets. The statute cannot allow payment rails to become the new chokepoint architecture for policy preferences that could not pass Congress.

The United States already litigated this once — under a different branding — through the saga of Operation Choke Point. Policymakers across the political spectrum eventually recognized that using financial infrastructure as a private veto against disfavored but lawful industries was improper. GENIUS cannot become the digital-settlement sequel to that phenomenon. The entire point of GENIUS is to *legitimize* dollar-based token settlement under law — not to create new, privatized, discretionary veto gates that swallow Congress' intent.

This issue is not limited to firearms. Any politically disfavored sector could be targeted. Agricultural suppliers, energy producers, industries associated with carbon emissions, politically controversial expressive activities — the list is limited only by the creativity of platform counsel. The problem is not the particular sector. The problem is the existence of a precedent that platforms are allowed to discriminate against lawful commerce because digital settlement rails are "new," and therefore subject to discretionary platform social engineering.

Stablecoin intermediaries should not be allowed to create de facto licensing regimes for access to the digital dollar. If a transaction is lawful under federal law, the settlement rail does not get to override that outcome. GENIUS is not a "build-your-own-CBDC" kit for private enterprises. The statute cannot authorize private social-credit overlays simply because the settlement object is programmable. Implementers must deliberately avoid enabling what the political branches did not authorize.

Moreover, if private chokepoints are permitted, the effect will again be jurisdictional arbitrage. Entities that cannot transact lawfully in the U.S. stablecoin environment will migrate to offshore stablecoins without those restrictions. That solves nothing. It simply removes U.S. influence and invites the very outcomes policymakers claim to worry about. The remedy is not to allow ideological discretion. The remedy is to ground stablecoin settlement in statutory legality — not platform preference.

GENIUS implementation must therefore affirm a principle that is both simple and foundational: lawful commerce is lawful commerce. Payment rails cannot be used as a tool to weaken that principle. If Congress intended to outlaw a category of commerce, Congress would have done so affirmatively. Implementation should reflect Congress' actual commands — not invent new ones.

In short, implementation must explicitly foreclose the ability of intermediaries to turn stablecoin rails into private policy enforcement mechanisms. Stablecoin settlement cannot become a vector for back-door financial censorship. GENIUS was enacted to modernize dollar settlement — not to deputize private actors to decide which lawful Americans may transact.

VII. Innovation Incentives & Preventing the Offshore Flight of USD Liquidity

Stablecoin activity is not static. It is mobile. And capital — especially settlement capital — will flow to the environment that treats it most rationally. The United States historically has led financial innovation not because it monopolized technology, but because it provided a coherent legal regime. GENIUS will succeed only if it preserves that competitive dynamic. If implementation defaults to suspicion, delay, or punitive posture, the outcome will not be less stablecoin activity. It will be less *American* stablecoin activity — and more institutional weight given to non-U.S. alternatives. That is the competitive landscape Treasury must actively factor into GENIUS implementation.

Competitor jurisdictions are not dabbling. They are strategically positioning themselves. Singapore has built a permissive token-settlement policy infrastructure designed to attract this exact commercial category. The UAE has explicitly declared its intent to become the primary global venue for digital settlement architecture. The EU, through its digital-euro pilots, intends to challenge the dollar's dominance not through rhetoric, but through settlement-layer competition. A GENIUS implementation that is so risk-averse that it becomes functionally non-operational would be a strategic gift to those jurisdictions.

The United States cannot assume dollar primacy is permanent. Dollar primacy was earned — through capital markets depth, rule of law, and institutional predictability. But settlement friction is now the new competitive variable. If tokenized dollars cannot be reliably issued, redeemed, and used within U.S. law, foreign equivalents will not wait. They will fill the void. Policymakers often rhetorically object to the idea of a digital-yuan displacing the dollar. But rhetorical objection is meaningless if U.S. implementation suppresses our own version of tokenized USD settlement.

Innovation incentives do not mean laxity. They mean clarity. Firms — institutional and emerging — need to know what constitutes compliance. If that answer is shifting, provisional, or always subject to reinterpretation, capital allocators will not deploy. They will allocate to environments with clearer rules. That does not require the U.S. to adopt a permissive posture. It requires the U.S. to adopt a *knowable* posture. GENIUS must be implemented as a set of boundaries — not a series of discretionary gatekeeping traps.

Importantly, innovation incentives also reduce risk. When clarity exists domestically, firms do not need to chase offshore liquidity relationships or unregulated redemption rails. They can remain under U.S. supervision. This shifts both operational oversight and AML oversight *into* U.S. jurisdiction — which is the entire point. Over-restriction undermines the very regulatory command policymakers say they want to advance. Activity outside jurisdiction cannot be supervised.

There is also the reputational dimension. If GENIUS implementation becomes a cautionary tale in regulatory over-containment, it will send a global signal that the United States is no longer the default venue for settlement innovation. That reputational shift would be more consequential

than any short-term enforcement headline. We are in a moment where perception is strategic leverage. GENIUS will help determine whether the U.S. is seen as leading the next settlement epoch — or resisting it.

Congress enacted GENIUS because the market created a new settlement modality — and Congress chose to bring it inside the law rather than leave it outside the perimeter. That choice only matters if implementation makes it usable. The statute is a recognition that this category will exist. Implementation is where the United States decides whether it will exist here or somewhere else.

Therefore, GENIUS must be implemented in a way that allows tokenized settlement to actually occur in practice — with supervision, not suffocation. If the United States views tokenized settlement as a threat, the world will simply adopt tokenized settlement without the United States. If the United States views tokenized settlement as a modernization of the dollar itself, then GENIUS becomes the catalyst for maintaining U.S. dominance in global clearing rather than the catalyst for ceding it.

VIII. Dollar Primacy, Geopolitical Stakes, and the Competitive Threat of Digital-Euro & e-Yuan Models

The dollar's dominance in global finance was not achieved by decree — it emerged because the dollar became the most reliable clearing instrument on earth. Markets priced in dollars not because they were instructed to, but because the infrastructure around the dollar made it the most efficient and safest medium for global settlement. Stablecoins now represent the transition of that historic advantage into a 21st-century settlement architecture. If GENIUS implementation treats tokenized dollars as a threat to be contained rather than a capability to be modernized, the United States will have voluntarily paused the progression of dollar primacy — while other sovereigns accelerate theirs.

China is not building the digital yuan as a novelty. It is a strategic instrument explicitly designed to create a cross-border settlement alternative that is not dependent on the U.S. banking system. The objective is not retail payments convenience. The objective is sanctions-resilient clearing. The premise is simple: if clearing is not routed through U.S.-supervised dollar channels, then U.S. jurisdiction diminishes. GENIUS can either help keep the settlement object of global trade — the dollar — at the center of programmable, instant settlement, or it can unintentionally assist in handing that future to Beijing.

The eurozone has reached a similar conclusion, albeit with different motivations. The digital-euro pilots are not framed as anti-American initiatives. But strategically, they still represent a settlement-layer competitor. EU regulators explicitly see programmable settlement as a way to increase European financial autonomy. Whether framed as resilience or independence, the effect is the same: if the United States suppresses tokenized dollar settlement through regulatory immobility, the EU will have a first-mover advantage in codified sovereign digital settlement rails.

In this context, stablecoins are not a "crypto novelty." They are the next evolution of the USD in its role as *the global unit of settlement.* If U.S. policy declares — implicitly or explicitly — that tokenized settlement is suspect, uncertain, or not legally supportable, global markets will not pause and wait for Washington to resolve its ambivalence. They will migrate to whichever

programmable settlement rail exists. And the cost of re-winning that ground later would be far higher than the cost of maintaining it now.

Dollar primacy is not defended solely through domestic monetary policy, interest-rate differentials, or reserve-currency participation statistics. In the digital-settlement era, primacy is defended by *providing the best rails.* GENIUS is Congress saying: the United States understands that. Implementation must follow that understanding — not shrink from it. The window for the United States to set the standard is open now — but not permanently.

Importantly, nothing in the GENIUS Act requires compromising national security or weakening enforcement. The statute does not ask regulators to choose between the dollar's competitive strength and lawful oversight. It asks them to implement oversight in a way that recognizes the new competitive environment. The "threat" is not programmable settlement — the threat is letting foreign regimes define programmable settlement in the absence of a U.S. framework.

The geopolitical stakes thus flow directly from implementation posture. If the regulatory message is: "America will allow tokenized settlement but only in an environment where the statutory purpose is preserved and the rule set is knowable," then the United States stays at the center of the settlement universe. If the message is: "tokenized settlement may exist, but only after years of interpretive delays, discretionary conditions, and a presumption of suspicion," then the United States should expect that future settlement systems will be written elsewhere.

GENIUS is therefore not a marginal fintech statute — it is a strategic decision point about whether the United States intends to retain leadership in the next settlement epoch. Implementation must be carried out with that reality in mind. The dollar's geopolitical gravity is not self-sustaining. It must be maintained — and GENIUS is one of the mechanisms Congress has given Treasury to maintain it.

IX. Closing the Loopholes that Evade Yield Prohibition

Congress was direct when it enacted GENIUS: stablecoins were not to become yield-bearing instruments. That prohibition was central to preventing these instruments from evolving into de facto bank-deposit competitors, offering synthetic returns that would siphon funding out of traditional institutions. Implementation must keep that line intact. If the prohibition is interpreted narrowly — applying only to the issuer — it will fail. The policy purpose was to block yield in the category as a whole, not simply to police labels used by primary issuers.

The risk is not subtle. If intermediaries — exchanges, affiliates, liquidity venues — can offer "rewards," "points," "rebates," "cashback," or other return-economics tied to the simple act of *holding* stablecoins, the substance of the statute will be defeated even if the letter of the rule is technically observed. Economic reality is what matters. Stablecoins that generate return are not settlement instruments — they are synthetic deposit substitutes. Implementation must therefore define the prohibition functionally, not linguistically.

This matters because return-bearing stablecoin balances would trigger dollar-liquidity migration — not in theory, but in basic market mechanics. Balances naturally migrate to where the return is. And if return is available on tokenized dollars but not on traditional insured deposits, traditional deposit funding will be impaired. That is the systemic risk vector Congress was

intentionally preventing. Allowing yield, even indirectly, turns stablecoins into non-bank savings instruments — and that changes the risk class entirely.

This is not about banishing innovation — it is about directing innovation to the right domain. GENIUS is designed to modernize *settlement*. It is not a portal to resurrect shadow banking. Implementation must enforce that distinction. A programmable dollar is not a depositor account. It is a means of instantaneous transfer. Those functions are economically distinct. Conflating them invites the wrong regulatory tools — and more importantly, the wrong market incentives.

Allowing yield through affiliates or platform-ecosystem tokenomics would also create monitoring chaos. Instead of supervising clear rules, regulators would spend years chasing naming games — assessing whether "incentives" were actually yield. That is not effective oversight. The correct approach is bright-line: no economic return tied to stablecoin *holding* — regardless of the marketing wrapper or the platform entity offering it.

The moment return enters the category, the engineering objective will shift. Product teams will optimize for yield-capture, not for reliable, low-latency settlement. That is how category drift begins. Instead of instant settlement, the risk creed becomes: how can balances be warehoused to maximize return. GENIUS was enacted to stop that drift before it started. Implementation must be faithful to that.

This is also how the United States avoids creating an implicit "run dynamic" in tokenized dollar markets. If stablecoin balances are treated like savings vehicles, then any disruption to redemption, custody, or reserve perception becomes a catalyst for runs — just as in pre-crisis money market instruments. Yield turns stablecoins into run-prone assets. No yield keeps them what they are supposed to be — settlement rails.

Therefore, implementation must reiterate the core principle: a stablecoin represents a dollar — not a yield-bearing financial product. Any economic return tied to holding the stablecoin — whether direct or indirect — violates the spirit and structure of GENIUS. Enforcement must follow economic function, not nomenclature. That is how the United States preserves this category as a modernization of settlement, not a quiet re-invention of banking outside the banking perimeter.

Conclusion

Treasury now has the opportunity — and the responsibility — to implement a statute whose purpose is not to halt digital settlement, but to modernize it. Congress did not enact GENIUS as a gesture. Congress enacted GENIUS because it recognized that tokenized settlement is already here, and that U.S. law must now be the framework under which it evolves. The global race to define programmable settlement will not wait for the United States to resolve bureaucratic ambivalence. Treasury's task is to implement the statute with the clarity and confidence that Congress has now supplied.

The correct interpretive posture is therefore not suspicion, nor containment, nor assumption of inherent risk. The correct posture is functional alignment: stablecoins are settlement objects, not deposit instruments; their risk profile is operational, not prudential; their AML signature is traceable, not opaque. The statutory goal is to make U.S.-denominated token settlement lawful,

supervisable, and usable — here, not abroad. If implementation proceeds from that reading, GENIUS will serve its purpose.

This also requires drawing — and enforcing — bright lines that reflect congressional intent. The most important of these is the prohibition on yield. A stablecoin that "pays" for being held is no longer simply a settlement instrument — it becomes a shadow deposit. Treasury must implement the yield ban functionally, closing affiliate, platform, and incentive-wrapper structures that would accomplish indirectly what the statute forbids directly. That is the line that preserves both market integrity and systemic stability.

Likewise, implementation must draw a bright line that prevents private payment infrastructure from becoming a vector for ideological commerce suppression. GENIUS does not authorize intermediaries to decide which lawful Americans may transact, or which lawful commerce may settle. The rule of law is not conditional on platform preference — and programmable settlement cannot become a second-generation, digitized "Choke Point" regime. Treasury must state this plainly in rule.

And as we have emphasized consistently — including in our illicit-activity feedback — AML posture must reflect actual risk-geometry. Enforcement should target the nodes, not the rail. Over-breadth in AML design will not strengthen enforcement — it will simply push liquidity and innovation to non-U.S. jurisdictions. That is not an outcome Treasury intends, but it is the predictable outcome if AML becomes a pretext rather than a calibrated policy tool.

If, instead, implementation is grounded in statutory purpose — modernization, clarity, oversight, and constitutional limits — then GENIUS will serve as the moment where the United States retained its role as the global standard setter for digital settlement. The dollar's primacy *in the programmable-rail era* will have been reaffirmed through law — not eroded through regulatory hesitation.

Therefore, CRF urges Treasury to implement GENIUS decisively — in alignment with congressional intent, with clarity on functional boundaries, and with the discipline to distinguish settlement from speculation. This is the pivot point. The world is not waiting. Treasury must now choose an implementation posture that allows the United States to lead the next chapter of dollar settlement — and this rulemaking is where that leadership is either exercised or forfeited.

Sincerely,

Andrew M. Langer
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