

**To:**

U.S. Department of the Treasury  
Attn: Office of General Counsel  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20220

**November 4, 2025****Re: Response to Treasury Advance Notice of Proposed Rulemaking regarding GENIUS Act Implementation**

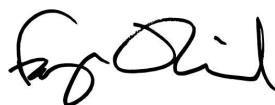
Coinbase Global, Inc. (together with its subsidiaries, "**Coinbase**") appreciates the opportunity to respond to the U.S. Department of the Treasury's ("**Treasury**") advance notice of proposed rulemaking ("**ANPRM**")<sup>1</sup> regarding implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the "**GENIUS Act**," "**GENIUS**," or the "**Act**").<sup>2</sup>

Coinbase is the most trusted crypto infrastructure provider in the world. Founded in 2012 and publicly listed on the NASDAQ, we offer secure and user-friendly custody and trading services to millions of verified retail and institutional investors globally. We are committed to building an open financial system and are doing so with the strongest regulatory compliance and security protocols available.

The GENIUS Act provides clear guidelines to foster growth and responsible innovation in the U.S. stablecoin market. We support Treasury's commitment to fulfilling the requirements of GENIUS, which encourages innovation in payment stablecoins while providing an appropriately-tailored regime to protect consumers, mitigate potential illicit finance risks, and address financial stability risks.

Coinbase appreciates the opportunity to submit feedback on the implementation of GENIUS. We look forward to working with Treasury on these issues.

Yours sincerely,



Faryar Shirzad  
Chief Policy Officer  
Coinbase

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<sup>1</sup> GENIUS Act Implementation, 90 Fed. Reg. 45159 (Sept. 19, 2025).

<sup>2</sup> GENIUS Act, Pub. L. No. 119-27, 139 Stat. 419 (2025) (codified at 12 U.S.C. §§ 5901-16).

## Introduction

GENIUS is landmark legislation that establishes a framework for growth and responsible innovation in the stablecoin market with the goal to make the United States the undisputed global leader in digital assets, including stablecoins.<sup>3</sup> While financial legislation is usually passed in reaction to a crisis or to fix past wrongs, GENIUS is based on a prospective vision to foster innovation and repatriate stablecoins to the U.S.

Stablecoins are already modernizing the global financial system. They enable real-time settlement, lower fees for merchants, and ubiquitous access to digitally-native money for institutions and consumers. Proper implementation of GENIUS will supercharge the adoption of stablecoins as a trusted payment instrument through federal oversight of issuers, 100% reserve backing, and holder priority in bankruptcy.

A clear, comprehensive, and trust-inducing regulatory framework will not only lead to wider stablecoin adoption in mainstream commerce, but it will also accelerate the growth in the broader tokenization of financial markets through its use as a settlement instrument for atomistic delivery-versus-payment processes. Advancing adoption in these ways will achieve the President's vision of making the U.S. the crypto capital of the world by onshoring crypto activity that may be flourishing offshore due to the hostility of the prior Administration and by promoting the development of a U.S.-based U.S. Dollar stablecoin market.

Congress carefully drafted GENIUS with these goals in mind, and it is the role of implementing agencies to promulgate regulations consistent with these objectives so that Americans can benefit from stablecoins at scale. This requires restraint from imposing any requirements that go beyond what the statute commands because doing so will stifle stablecoin innovation and adoption and undermine the benefits Congress intended for payment stablecoin issuers and users.

Importantly, Treasury should not misconstrue GENIUS's interest prohibition. GENIUS bars only permitted payment stablecoin issuers ("**PPSIs**") from paying interest or yield for holding or using a stablecoin — that prohibition does not extend to non-issuer intermediaries or any "indirect" payments. The only plausible, and certainly best, reading of the statutory text permits no other interpretation. Treating third-party rewards or loyalty programs as prohibited "interest" would rewrite Congress's carefully-drawn lines and conflict with the statute's text and purpose. That misreading would also hurt consumers by stripping market-based incentives that lower payment costs, spur merchant

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<sup>3</sup> See The White House, "Fact Sheet: President Donald J. Trump Signs GENIUS Act into Law" (July 18, 2025), <https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-signs-geni-us-act-into-law/>.

acceptance, and help new users adopt safer, regulated U.S. stablecoins. Respecting the issuer-only constraint Congress enacted preserves inclusion and U.S. competitiveness by enabling rewards, modernizes payments, keeps innovation onshore, and remains within Congress's limits.

Finally, to unlock the full potential of American stablecoin markets, Treasury must ensure that U.S.-issued stablecoins are competitive and that U.S. issuers have access to foreign markets. Treasury should work with other financial regulators to avoid fragmentation or different standards for like products. GENIUS is among a handful of federal efforts to provide clarity in digital asset markets, so Treasury must be mindful not to conflict with ongoing efforts of Congress or other federal regulators.

In view of these considerations, we focus our comments and suggestions on the following areas: (1) keep rules focused on GENIUS as written; (2) onshore adoption, issuance, and growth through fit-for-purpose rules; and (3) clearly explain the penalties for non-compliance.

## **1. Keep Rules Focused on GENIUS as Written**

Treasury must be mindful where definitions in GENIUS are clear on their face. Attempting to impose requirements that contradict the statutory text would deter payment stablecoin adoption and innovation in the U.S. Any rulemaking by Treasury must be consistent with the Administrative Procedures Act and should not expand GENIUS's requirements, especially where Congress's intent is explicit. Even "ambiguous statutory provisions" are not delegations of "policymaking" authority to "political actors;" agencies certainly have no authority to enlarge or amend *unambiguous* statutory text.<sup>4</sup> Where a definition may be unclear, rulemaking must only provide necessary specificity and supply an interpretation that is consistent with GENIUS's text, structure, and purpose.

In keeping with a narrowly-focused implementation of GENIUS, Treasury should also ensure that non-financial software is not captured by its requirements. The focus of GENIUS is on financial intermediaries that issue or offer a narrowly-defined set of instruments designed to be used as a stable value means of payment, tied on a one-to-one basis to national currency. Non-financial software, blockchain infrastructure, and digital assets that are not designed or marketed as a GENIUS-compliant payment stablecoin are clearly outside of the scope of the statute's plain language. Scoping them in would contravene the statute's text and purpose, chill open-source innovation, and misallocate supervision away from actual intermediation risk without improving consumer outcomes.

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<sup>4</sup> *Loper Bright Enters. v. Raimondo*, 603 U.S. 369, 403-04 (2024).

### **"Payment stablecoin" (Question 3)**

The definition of "payment stablecoin" is clear. A digital asset qualifies as a permitted "payment stablecoin" only if all of the following prongs are satisfied: (1) it is used, or is designed to be used, as a means of payment or settlement; (2) the issuer is obligated to redeem the asset for a national currency or a deposit; and (3) the issuer represents that the asset will maintain a stable value.<sup>5</sup>

Read together, this definition captures custodial, fiat-backed stablecoins that are designed for payments, carry an issuer obligation to redeem in national currency or a deposit, and include a representation of stable value. Isolated or *de minimis* payment use should not, standing alone, satisfy the "use" prong where the asset is not designed or held out for payment and the remaining prongs are not met. Furthermore, assets without an issuer redemption obligation or a stability representation — such as governance tokens or other digital assets used primarily as a store of value or for protocol participation — are purposefully scoped out. To promote consistent application, Treasury should ensure that the definition of "payment stablecoin" remains in line with the objective criteria outlined in the statutory text.

### **"Digital asset service provider" (Question 4)**

Treasury should ensure that the definition of "digital asset service providers" ("**DASPs**") only applies to entities covered by the definition in the statute. Importantly, GENIUS expressly carves out non-financial activity or core technology functions necessary for the operation of a blockchain, such as validators and decentralized protocols. Instead, the definition covers a person "that, for compensation or profit, engages in the business . . . of," among other activities, "participating in financial services relating to digital asset issuance . . . ." <sup>6</sup> The definition also applies to a DASP "exchanging digital assets for other digital assets"; "transferring digital assets to a third party"; or "acting as a digital asset custodian . . . ." <sup>7</sup> Treasury should ensure that the definition of a "DASP" does not include a decentralized exchange or a technology service provider that releases code to enable the interoperability, transfer, or trading between stablecoins. To be captured by the definition, a DASP must be handling digital assets for the purpose of financial intermediation, including custody and exchange services provided on behalf of a customer or other counterparty of the DASP. Treasury also should affirm that only financial intermediation activity is encompassed by the definition.<sup>8</sup>

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<sup>5</sup> 12 U.S.C. § 5901(22).

<sup>6</sup> 12 U.S.C. § 5901(7)(A)(v).

<sup>7</sup> 12 U.S.C. § 5901(7)(A)(ii)-(iv).

<sup>8</sup> This latter point is illustrated by Section 2(7)(A)'s parenthetical on engaging in such business "including on behalf of customers or users in the United States . . . ." See 12 U.S.C. § 5901(7)(A).

## **"Offer" (Question 9)**

GENIUS prohibits DASPs, starting 3 years from the date of enactment, from "offer[ing] or sell[ing] a payment stablecoin to a person in the United States, unless the payment stablecoin is issued by a permitted payment stablecoin issuer."<sup>9</sup> Section 2(21) defines "offer" to mean "to make available for purchase, sale, or exchange."<sup>10</sup> On its face, "offer" does not cover facilitative activities by non-financial intermediaries or other entities. For instance, blockchain validators, wallet software providers, and staking services do not "offer" or "make available" a payment stablecoin for purchase, sale, or exchange in the same way that web browsers and internet service providers do not "offer" or "make available" the trading of stocks online. These examples lack the element of issuer control; they are merely providing general-purpose software or network infrastructure that facilitate user-signed and directed transactions and does not constitute an "offer."

## **2. Onshore Adoption, Issuance, and Growth Through Fit-for-Purpose Rules**

One of GENIUS's core goals is to onshore compliant payment stablecoin issuance and its corresponding business activity. That mandate should not be interpreted in a way that negatively impacts U.S. issuers or other entities from meaningfully participating in the payment stablecoin market. In particular, Treasury's approach should ensure that the payment stablecoin market is able to thrive — regulations around tax, reserve requirements, and interest must adhere to GENIUS's text and avoid applying legacy requirements that are not fit-for-purpose.

### **Tax implications (Questions 37 and 38)**

Payment stablecoins are a financial technology that by design and function replicate the stability and utility of fiat currency. Their tax treatment should reflect this reality. Treasury and the Internal Revenue Service ("IRS") must adopt a pragmatic, low-burden approach to tax issues around payment stablecoins that supports responsible innovation.

The application of tax to digital asset innovation is an underappreciated determinant of its ultimate adoption. Here, tax guidance should be updated to reflect that payment stablecoins, under the framework of GENIUS, are a means of payment or settlement that keep a stable value over time. Accordingly, payment stablecoins should not be treated as debt for tax purposes, and the IRS should issue clear and definitive guidance excluding payment stablecoins from classification as debt instruments under federal income tax law.

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<sup>9</sup> 12 U.S.C. § 5902(b)(1).

<sup>10</sup> 12 U.S.C. § 5901(21).

Payment stablecoins fundamentally do not exhibit the characteristics of debt for tax purposes:

- Federal tax law emphasizes substance over form. The economic reality of payment stablecoins is that they are digital means of payment and settlement — not instruments of borrowing.
- Payment stablecoins are not issued with a contractual obligation to repay principal with interest. Instead, they are redeemable at par, not at a premium or discount.
- Payment stablecoins are redeemable on demand and lack any amortization or maturity structure, in contrast to how debt instruments feature defined maturity and repayment terms.
- Holders of payment stablecoins are not creditors of a payment stablecoin issuer in the traditional sense. Rather, redemption rights are akin to an exchange for tax purposes, not repayment.
- GENIUS explicitly prohibits a payment stablecoin issuer from paying interest or yield on payment stablecoins, unlike with issuers of debt instruments.
- Payment stablecoins are designed to facilitate payment and settlement and function as a medium of exchange, not to raise capital or finance operations as with a debt issuance.
- Debt involves the transfer of credit risk from the issuer to a holder. By contrast, payment stablecoins are designed and required under GENIUS to be fully backed by high-quality, low-risk, 1:1 reserves and redeemable for a fixed amount of monetary value.
- Debt instruments may be issued at an original issue discount (“**OID**”), triggering complex tax rules; or they may subsequently trade at a market discount. Payment stablecoins, on the other hand, would be issued and redeemable at par.
- SEC staff has already indicated that “covered stablecoins” akin to payment stablecoins under GENIUS do not qualify as a note or other debt instrument for purposes of being a “security” under the federal securities laws.<sup>11</sup> Treating payment stablecoins as debt for tax purposes would contradict this regulatory stance and create confusing inconsistency.

Classifying payment stablecoins as debt for tax purposes would create unwarranted complexity, such as the potential application of rules governing OIDs, market discounts, and interest income — none of which are appropriate for a 1:1 reserve-backed payment stablecoin. Instead, payment stablecoins should be treated as cash equivalents, consistent with their economic substance and regulatory framework under GENIUS.

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<sup>11</sup> SEC, Div. Corp. Fin., “Statement on Stablecoins” (Apr. 4, 2025), <https://www.sec.gov/newsroom/speeches-statements/statement-stablecoins-040425>.

Payment stablecoins should not be subject to the same tax reporting rules as other digital assets. Unlike cryptocurrencies held for trade or investment, stablecoin transactions should be exempt from the requirement to calculate and report capital gains or losses for the simple reason that they are structured to be stable and trade at par. For example, brokers are expected to report digital asset transactions to the IRS on Form 1099-DA, including gross proceeds beginning January 1, 2025, and cost basis beginning in 2026.<sup>12</sup> Additionally, as of 2025, IRS guidance mandates that the cost basis for digital assets must be tracked using a per-wallet method.<sup>13</sup> These directives are intended to standardize the determination of taxable gains or losses realized from digital asset dispositions, thereby closing a major compliance gap and strengthening the IRS's ability to identify and audit high-value noncompliance.

This level of reporting is ill-suited to the function and design of payment stablecoins under GENIUS, as it will flood the IRS with massive amounts of low-value information returns, ultimately detracting from the agency's need to audit noncompliance. Because payments stablecoins are pegged to a fixed monetary value, backed on a 1:1 basis by high-quality liquid reserves, and designed to not fluctuate in value, transactions involving them would not result in taxable gains or losses. Payment stablecoins are intended to be used as a means of payment or settlement, rather than as investment property, so requiring reporting on every transaction would be overly burdensome and similar to requiring Form 1099 reporting for cash transactions.

Operationally, brokers would face significant administrative and compliance costs in tracking and reporting millions of low-value payment stablecoin transactions, which would be of minimal value to the IRS. A tax reporting exclusion for payment stablecoins would acknowledge their economic reality as functional equivalents to cash, avoid unnecessary regulatory burden on the stablecoin market, and facilitate the use of payment stablecoins as an efficient means of payment and settlement.

### **Accounting and regulatory treatment (Questions 6 and 7)**

It is critical that stablecoins issued by PPSIs be eligible as cash equivalent margin and collateral for futures commission merchants, derivatives clearing organizations, broker-dealers, registered clearing agencies, and swap dealers. GENIUS-compliant payment stablecoins will be operationally robust, highly-liquid, and fully-backed by low-risk assets. They also have the advantage of being an instant, frictionless, and 24/7/365 funding source due to the inherent efficiency and speed of their underlying blockchain technology, overcoming the delays of traditional funding rails. Treatment as cash equivalent collateral is in line with recommendations from the President's Working

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<sup>12</sup> 26 C.F.R. § 1.6045-1.

<sup>13</sup> Rev. Proc. 2024-28.

Group on Digital Asset Markets.<sup>14</sup> This initiative further builds on the Commodity Futures Trading Commission (“CFTC”) Acting Chairman Caroline D. Pham’s initiative on the use of tokenized collateral, including stablecoins, in derivatives markets<sup>15</sup> and the work of the CFTC’s Global Markets Advisory Committee.<sup>16</sup> The only logical regulatory outcome is alignment among federal financial regulators on the treatment of payment stablecoins as eligible cash collateral so as to not create disparate outcomes. Guidance is also welcome on appropriate treatment under Generally Accepted Accounting Principles and International Financial Reporting Standards and how to account for potential fluctuations in value.

### Exempt transactions (Question 8)

Section 3(h) of the Act exempts certain transactions from Section 3’s general prohibitions, including “the direct transfer of digital assets between two individuals acting on their own behalf and for their own lawful purposes, without the involvement of an intermediary”; as well as “any transaction by means of a software or hardware wallet that facilitates an individual’s own custody of digital assets.”<sup>17</sup> GENIUS’s text is clear that maintaining core technology functions or other ancillary services, such as providing software, validating transactions, or maintaining the security of a blockchain, do not constitute “the involvement of an intermediary” within the meaning of the exemption.

Furthermore, under a plain reading of the statute, the exemption for self-hosted wallet transactions that “facilitate an individual’s own custody of digital assets” covers activities related to a user’s self-custody of assets, such as mining, staking, peer-to-peer transfers, and more broadly a user’s participation in a decentralized protocol.

### Reserve requirements (Questions 10 and 12)

Section 4(a)(1) of the Act requires PPSIs to maintain reserves backing outstanding stablecoins.<sup>18</sup> Rules regarding reserve asset diversification, including deposit concentration at banking institutions, should balance: (1) avoiding concentration of reserves in deposits at a *single* insured depository institution (“IDI”); (2) avoiding

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<sup>14</sup> See PWG, “Strengthening American Leadership in Digital Financial Technology,” 142 (July 30, 2025), <https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf> (recommending that the CFTC issue guidance on “acceptance of digital asset collateral (including payment stablecoins)”).

<sup>15</sup> See CFTC, “Acting Chairman Pham Launches Tokenized Collateral and Stablecoins Initiative” (Sept. 23, 2025) (Release No. 9130-25), <https://www.cftc.gov/PressRoom/PressReleases/9130-25>.

<sup>16</sup> See CFTC, “CFTC’s Global Markets Advisory Committee Advances Recommendation on Tokenized Non-Cash Collateral” (Nov. 21, 2024) (Release No. 9009-24), <https://www.cftc.gov/PressRoom/PressReleases/9009-24>.

<sup>17</sup> 12 U.S.C. § 5902(h)(1)(A), (C).

<sup>18</sup> 12 U.S.C. § 5903(a)(1).

concentration of reserves *only* in IDIs; while at the same time (3) ensuring that there are enough reserves held in demand deposit accounts at IDIs where funds can be immediately available to handle redemption requests during periods when other assets may not be accessible (e.g., over weekends when financial markets are not open).

There is no need for Treasury to clarify the extent to which reserve assets are required to, or should, be held “in custody.” Section 10 of the Act already addresses “custodial or safekeeping” services for payment stablecoin reserves by a variety of federal- and state-regulated custodians, with express rulemaking authority around segregation and commingling of reserves delegated to the primary Federal payment stablecoin regulators.<sup>19</sup> Existing guidance from the federal banking agencies further recognizes and addresses a diversity of custody and safekeeping practices, including for stablecoin reserves and digital assets generally.<sup>20</sup> Therefore, no further guidance from Treasury on the issue of reserves is necessary.

### Interest (Question 14)

GENIUS provides that “[n]o permitted payment stablecoin issuer or foreign payment stablecoin issuer shall pay the holder of any payment stablecoin any form of interest or yield...solely in connection with the holding, use, or retention of such payment stablecoin.”<sup>21</sup> The statutory text is unambiguous: the prohibition on interest or yield payments applies only to *payment stablecoin issuers*, and it may not be extended to other entities on an “indirect payment” theory. Congress knew how to include other entities within GENIUS’s prohibitions when it wanted to — for instance, the Act prohibits DASPs from offering or selling non-GENIUS-compliant stablecoins starting three years after the Act’s enactment.<sup>22</sup> By contrast, Congress chose not to subject DASPs (or other non-issuer parties) to the interest-payment prohibition. The interest-payment prohibition thus does not, for example, prevent a digital asset exchange or other intermediary from paying loyalty rewards to accountholders, a benefit common to many types of business relationships. That legislative choice must be respected, and any effort by Treasury to expand or alter the scope of this prohibition would conflict with decisions by Congress behind this precisely-crafted language.

<sup>19</sup> 12 U.S.C. § 5909(c)(2)(C).

<sup>20</sup> See, e.g., Office of the Comptroller of the Currency (“OCC”), *Comptroller’s Handbook*, “Custody Services” (Jan. 2002), <https://www.occ.gov/publications-and-resources/publications/comptrollers-handbook/files/custody-services/pub-ch-custody-services.pdf>; OCC, Interpretive Letter No. 1172 (Sept. 21, 2020), <https://www.occ.gov/topics/charters-and-licensing/interpretations-and-actions/2020/int1172.pdf> (authority to hold stablecoin reserves); Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and OCC, “Crypto-Asset Safekeeping by Banking Organizations” (July 14, 2025), <https://www.occ.gov/news-issuances/news-releases/2025/nr-ia-2025-68a.pdf>.

<sup>21</sup> 12 U.S.C. § 5903(a)(11).

<sup>22</sup> E.g., 12 U.S.C. § 5902(b)(2).

Congress’s decision to apply Section 4(a)(11) solely to certain payment stablecoin issuers was a deliberate one. GENIUS was principally crafted to create a regulatory framework for *issuers*: Congress exempted PPSIs from comprehensive banking regulation while prohibiting those issuers from paying interest on stablecoins in the manner that banks pay interest on deposits. But Congress went no further. It declined to include non-issuer third parties within that prohibition because banning other types of payments on stablecoins across the board would have inhibited growth and innovation of the stablecoin market — contrary to the GENIUS Act’s core purposes. By leaving distributors free to encourage stablecoin adoption and loyalty in the same way that credit card providers and other payment networks do today, Congress imbued GENIUS with a pro-market, pro-innovation philosophy and sought to promote the adoption of stablecoins in the United States. Treasury has no authority to second-guess Congress’s work.

### **Managing potential conflicts of interest (Question 55)**

GENIUS does not expressly address conflicts of interest, so it lies outside Treasury’s scope for rulemaking implementation. Congress can more appropriately consider this in the context of pending market structure legislation. As in other areas of market regulation, potential conflicts can be addressed by full and fair disclosure and informed consent by customers.<sup>23</sup> Effectively managing potential conflicts of interest through robust disclosure would bolster the integrity of stablecoin markets and the confidence of stablecoin users and other market participants.

### **3. Clearly Explain the Penalties for Non-Compliance (Questions 1 and 20)**

Treasury should carefully articulate the scope and interaction of the penalty provisions in Sections 3, 4, and 6 of the Act to confirm that GENIUS does not impose heightened penalties on DASPs for “offers/sales” regulated by Section 3(b)(1) and the “issuance” provisions of Section 3(a). The criminal liability in Section 3(f)(1) attaches only to “knowing” violations of Section 3(a) and does not extend to Section 3(b) or any other GENIUS provision. Accordingly, a DASP’s violation of Section 3(b)(1) should not, by itself, be treated as “participat[ion]” in a Section 3(a) violation or as creating any de facto due diligence obligation on DASPs. Extra penalties could be appropriate only where a DASP illegally issues a stablecoin in violation of Section 3(a) or knowingly aids and abets an issuer’s violation of Section 3(a) while offering or selling the stablecoin.

Finally, the civil money penalty provisions are limited to payment stablecoin issuers and their IAPs, and are not applicable to DASPs, other stablecoin users, or other persons

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<sup>23</sup> See, e.g., Commission Interpretation Regarding Standard of Conduct for Investment Advisers, Investment Advisers Act Release No. 5248, 84 Fed. Reg. 33669, 33671 (July 12, 2019) (providing for “full and fair disclosure of all conflicts of interest” facing an investment adviser “such that a client can provide informed consent to the conflict.”).

generally. Section 6 is solely focused on issuers and does not extend to intermediaries, consistent with the Act's structure and Sections 3 and 4.

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We welcome the opportunity to further engage with Treasury and other regulators on these issues.