



June 2, 2026

U.S. Department of the Treasury
Attention: Office of the General Counsel
1500 Pennsylvania Avenue NW
Washington, DC 20220

Via Electronic Submission (RIN 1505-AC90)

Re: GENIUS Act Broad-Based Principles for Determining Whether a State-Level Regulatory Regime Is Substantially Similar to the Federal Regulatory Framework

To Whom It May Concern:

Paradigm Operations LP (“Paradigm”) appreciates the opportunity to comment on the Department of the Treasury’s (“Treasury”) proposed rulemaking establishing broad-based principles for determining whether a state-level regulatory regime is substantially similar to the Federal regulatory framework under the Guiding and Establishing National Innovation for U.S. Stablecoins Act (“GENIUS Act” or “Act”).¹ As a frontier technology investment firm that invests and builds in crypto, AI, robotics, and across new frontiers from the earliest stages,² Paradigm has a direct stake in the viability of the state regulatory pathways the GENIUS Act protects.

The GENIUS Act reflects a deliberate legislative choice to design a dual federal-state regime in which state-qualified payment stablecoin issuers (“State issuers”) may compete with federally licensed issuers on equal terms under state authorities. This framework recognizes the approaches that many states have advanced well before the federal government acted, and allows innovation to flourish, preserves the tradition of state financial regulation, and ensures that consumers and the financial system are protected. Treasury’s proposed rule provides a reasonable foundation for implementing that framework, and Paradigm supports its core architecture.

In several respects, however, the proposal risks enshrining a state pathway that exists on paper but is practically unavailable. Accordingly, the comments below address four areas where adjustments are needed to ensure that a state pathway remains viable: (1) the proposed rule should not be finalized before the OCC’s GENIUS regulations are final; (2) the Stablecoin Certification Review Committee (“SCRC”) certification process requires procedural safeguards, without which the unanimity requirement could become a structural veto; (3) the capital and operational backstop requirements must be calibrated to the issuers it is designed to serve; and (4) states must implement the Act without imposing requirements that place State issuers at a competitive disadvantage. Each of these issues is discussed in detail below.

¹ 91 Fed. Reg. 16844 (Apr. 3, 2026).

² More information about Paradigm is available at <https://www.paradigm.xyz>.

I. Part 1521 Should Not Be Finalized Before the OCC's Regulations Are Final

In the proposed rule, Treasury proposes to anchor the “Federal regulatory framework” to OCC interpretations and regulations implementing the Act, with Treasury acknowledging that portions of the proposed rule may need to be revised as the OCC’s rules are finalized.³ We grant that there are sound structural reasons for tying the Treasury’s final rule to the OCC’s. But as drafted, the proposal asks states and issuers to plan and ultimately certify against a standard that does not yet exist in final form and is potentially subject to revision by both informal guidance and formal rulemaking. This is the definition of asking states to hit a moving target, albeit in the dark and in a place they already find unfamiliar. For an issuer that has made investment and operational decisions on the strength of a state’s design and certification, this uncertainty is not an administrative inconvenience; it is a direct impediment to market entry and continued viability.

At the very least, Treasury should not finalize Part 1521 before the OCC’s implementing regulations are final. Finalizing the broad-based principles before the baseline they reference is settled leaves issuers unable to reliably determine whether a given state regime will survive OCC’s finalization. A coordinated finalization simultaneous with or shortly following the OCC’s final rule is the most direct way to address this problem.

Moreover, Treasury should commit to: (i) providing public notice before any revision necessitated by the OCC’s final rule and any revisions thereto; and (ii) a meaningful transition period of not less than one year for states to update their regimes and State issuers to make corresponding operational adjustments before certification (or recertification) is required by changes to other agency rules. Without these protections, those who move quickly to conform with the Act face the risk that their advanced planning becomes a liability.

Lastly, Treasury should confirm that the term “interpretations” in the definition of “Federal regulatory framework” refers only to formal rulemakings, and not to informal agency action. In other words, staff-level interpretations should not be able to draw State issuers out of compliance by providing restrictive “color” to a notice-and-comment rule promulgated by the OCC (or other agency). A broader reading would make the compliance baseline difficult for state regulators to monitor and apply reliably, which is particularly problematic for smaller state agencies with limited resources.

II. The SCRC Certification Process Requires Procedural Safeguards

Under the Act, the SCRC, comprising the Treasury Secretary, FRB Chair, and FDIC Chair, may certify a state regime as substantially similar only by unanimous agreement. The Act requires that any denial include a written explanation of its basis, but the proposed rule does not establish timelines for SCRC decisions, procedural standards for the adequacy of denial explanations, or mechanisms for constructive approval. The absence of these procedural guardrails creates a serious risk that the certification process will be stalled or weaponized in ways that would effectively eliminate the state pathway, giving a functional heckler’s veto to any member of the SCRC. Among other things, a single SCRC member can, under the current framework, block certification

³ See 91 Fed. Reg. 10202 (Mar. 2, 2026) (OCC proposed rule).

indefinitely simply by declining to participate because the Act's denial-and-explanation requirement is triggered only by a formal denial, not inaction.

Accordingly, the final rule should require the SCRC to render a formal approval or denial within 180 days of submission of a complete certification. Where a submission is incomplete, the SCRC should be required to notify the state of the specific deficiency within 60 days, pausing the clock until the state cures. This structure is consistent with analogous licensing frameworks in Federal financial regulation⁴ and ensures that states and the issuers planning to operate under their regimes can rely on a definite timeline. Additionally, the proposal should make clear that any denial is sufficiently particularized to allow a state to understand what must be changed. The goal of this process is to help states craft regimes for stablecoins to actually operate, not to simply create a process for states to spend years playing a guessing game on what the federal regulators might want.

Lastly, Treasury should also establish a process by which states may seek interim guidance before submitting a formal certification, so that potential deficiencies can be identified and addressed before the 180-day clock runs. This would reduce the risk of avoidable denials of good-faith regimes and would serve the shared interest of Treasury, the SCRC, and state regulators in an efficient certification process.

III. Capital and Operational Backstop Requirements Should Be Calibrated to the Issuers the State Pathway Is Designed to Serve

Capital requirements are an important aspect of the GENIUS regime, and we support their existence. But not all capital requirements are inherently good; they must be tailored to an issuer's actual risk profile, per the text of the Act.⁵

In light of that, the proposed 12-month operating backstop imperils the very heart of the state pathway. The 12-month operating expense backstop is drawn from the OCC's proposed rule, which was developed with reference to de novo national trust bank chartering, where minimum capital has ranged from approximately \$6-\$25 million.⁶ Applying that standard to early-stage issuers with modest outstanding issuance and limited revenue will make the economics of state licensure untenable for the very issuers Congress intended to serve through the sub-\$10 billion pathway. It is akin to asking scooters to have the same level of road safety as semi-trucks on an interstate.

Consistent with the Act's tailoring mandate, Treasury should therefore modify the proposed rule to provide that state operational backstop requirements satisfy the substantial similarity standard if they are calibrated to the size and risk profile of the issuer. This approach would allow states to

⁴ See GENIUS Act § 5 (12 U.S.C. § 5904) which itself provides an application and review framework with explanation requirements. See also 12 C.F.R. § 5.13 (OCC national bank charter application procedures with defined review timelines); 12 U.S.C. § 1828(c)(7) (Bank Merger Act's prescribed timeframes for agency action); 7 U.S.C. § 6(a) and 17 C.F.R. § 38.3 (requiring the CFTC to act on contract market designation applications within 180 days).

⁵ 12 U.S.C. § 5903(a)(4)(A)(i) (requiring that capital requirements be "tailored to the business model and risk profile" of issuers and not exceed requirements "sufficient to ensure the ongoing operations" of those issuers).

⁶ 91 Fed. Reg. 10202, 10240 (Mar. 2, 2026).

retain discretion to design backstop requirements scaled to outstanding issuance or based on risk metrics appropriate to their issuers' business models.⁷

IV. The State Pathway Must Preserve Competitive Parity with the Federal Framework

The GENIUS Act's federal-state design envisions genuine choice between federally and state-licensed payment stablecoin issuers, with each issuer able to decide which better fits its business model and total addressable market. Faithful implementation of that design requires that states not impose requirements that place State issuers at a competitive disadvantage that Congress did not intend, and ensuring that the final rule is consistent with that mandate requires clarification of (1) whether the yield prohibition may be expanded by state regimes, and (2) whether substantial similarity encompasses the Act's interstate passporting framework.

1. The Interest and Yield Prohibition Cannot Be Expanded by State Regimes

Section 4(a)(11) of the Act prohibits a permitted payment stablecoin issuer from paying "any form of interest or yield (whether in cash, tokens, or other consideration) *solely* in connection with the holding, use, or retention of" a payment stablecoin.⁸ This prohibition was deliberately and narrowly drawn, following weeks of painstaking negotiations and drafting. As Paradigm documented in its comments on the OCC's proposed rule, Congress rejected multiple proposed amendments that would have extended the prohibition to indirect payments and third-party arrangements, with the final text deliberately limited to direct payments from issuers to holders.⁹ The word "solely" further confirms the prohibition's narrow scope.

While the Act permits states to impose additional requirements on State issuers beyond the federal baseline, that authority is limited by the requirement that those additions do not conflict with federal law or render the state regime no longer substantially similar to the federal framework. The yield prohibition is classified as a uniform requirement under Appendix A to Part 1521, meaning states must implement it "consistent with the Federal regulatory framework in all substantive respects."

That standard runs in both directions: a state regime that narrows—by exempting categories of payments the statute covers—or broadens—by including third-party incentive programs, commercial arrangements, or forms of compensation—the prohibition beyond what Congress intended would not be substantially similar. Under *Loper Bright*, courts will review *de novo* whether such a state-level extension of the prohibition falls within the Act's scope and, accordingly, Treasury should

⁷ Similarly, Treasury's proposal to require uniform CET1 and additional tier 1 definitions raises concerns for entities like Wyoming SPDIs that operate under bespoke state capital frameworks predating the GENIUS Act. Treasury should clarify that existing frameworks can satisfy the uniform definition requirement and, failing that, provide a transition period for state-chartered entities to adapt their capital structures without disrupting ongoing operations.

⁸ 12 U.S.C. § 5903(a)(11) (emphasis added).

⁹ See Paradigm Comment Letter on OCC-2025-0372 (May 1, 2026) at 1–6 (documenting that Congress rejected proposed amendments extending the prohibition to indirect payments and third parties). See also 171 Cong. Rec. S3275, S3287 (daily ed. June 9, 2025) (reflecting Senator Warren's failed amendment to prohibit any "person" from paying interest or yield to holders); 171 Cong. Rec. S3239, S3257 (daily ed. June 5, 2025) (reflecting Senator Hickenlooper's rejected amendment that would have prohibited issuers from "directly or indirectly" paying holders interest or yield).

confirm in the final rule that the yield prohibition is a uniform requirement that states must implement consistently.¹⁰

2. Certification Must Include an Assessment of Compliance with the Act's Interstate Passporting Framework

Section 7(f) of the Act provides that a State issuer licensed in one state may operate across state lines without being subject to duplicative or conflicting host-state licensing requirements, which is a framework that is critical to the ability of state-licensed issuers to compete with federally licensed issuers on a national basis. Treasury should therefore clarify that the SCRC's substantial similarity assessment includes considering whether the state regime is consistent with section 7(f). A state regime that imposes host-state licensing requirements on out-of-state State issuers in excess of those contemplated by section 7(f), or that otherwise obstructs the nationwide operation of other states' licensed issuers, should not be certified as substantially similar. This is not a peripheral point: the passporting framework is what makes the state pathway viable as a nationwide pathway, not merely a local one.

Conclusion

The GENIUS Act creates a genuine opportunity to establish a well-functioning dual federal-state payment stablecoin regime that fosters competition, protects consumers, and enables innovation at the state level. The comments above are offered in the spirit of ensuring that the state pathway Congress created is genuinely workable for states designing compliant regimes, for issuers planning with confidence, and for consumers who benefit from competition between federally and state-licensed payment stablecoin issuers. Paradigm appreciates the opportunity to provide these comments and stands ready to serve as a resource throughout the process of implementing this law.

If you have questions, please contact Stefan@Paradigm.xyz.

Sincerely,

/s/ Stefan Schropp

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Paradigm Operations LP

¹⁰ See *Loper Bright Enterprises v. Raimondo*, 603 U.S. 369, 391–92 (2024) (“[C]ourts must exercise their independent judgment in deciding whether an agency has acted within its statutory authority,” carefully attending to the text, structure, history, and purpose of the statute at issue.). See also Appendix A to Proposed 12 C.F.R. Part 1521, 91 Fed. Reg. 16844, 16869 (Apr. 3, 2026) (designating the yield prohibition as a “uniform requirement” that states must implement “consistent with the Federal regulatory framework in all substantive respects”).