



June 9, 2026

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: RIN 3064-AG19: GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions

To Whom It May Concern:

Paradigm Operations LP (“**Paradigm**”) appreciates the opportunity to comment on the Federal Deposit Insurance Corporation’s (“**FDIC**”) proposed rulemaking (“**Proposed Rule**”) for implementing requirements established by the Guiding and Establishing National Innovation for U.S. Stablecoins Act (“**GENIUS Act**” or “**Act**”). As a frontier-technology investment firm that invests and builds in crypto, AI, robotics, and across new frontiers from the earliest stages,¹ Paradigm is committed to ensuring that permitted payment stablecoin issuers have a clear pathway to compete with market incumbents and deliver innovative solutions to American consumers and businesses. In that spirit, this letter respectfully provides feedback regarding certain parts of the Proposed Rule that could competitively disadvantage issuers and undermine the pro-consumer and pro-competitive benefits that Congress sought to foster through the GENIUS Act.

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I. The FDIC Should Not Expand the GENIUS Act’s Yield Prohibition or Adopt a Rebuttable Presumption

The FDIC requests comment on various aspects of the Act’s “yield prohibition,” which prohibits issuers from paying interest or yield to holders **solely in connection** with the holding, use, or retention of the stablecoin.²

The FDIC should decline to extend the yield prohibition to “related third parties.” To go further, it should decline to adopt the rebuttable presumption framework altogether. Nothing in the statutory text can be read to expand the yield prohibition to “related third parties” or to authorize an agency’s presumption that the yield prohibition reaches those entities. Had Congress wanted to capture indirect arrangements, it knew how to do so: it incorporated the “*either directly or*

¹ More information about Paradigm is available online at <https://www.paradigm.xyz/>.

² 12 U.S.C. § 5903(a)(11) (emphasis added). In Questions 21–24, the FDIC asks: (1) whether the Final Rule should extend the yield prohibition to “affiliates and related third parties,” or at minimum retain a rebuttable presumption that the prohibition captures those indirect arrangements, (2) whether the Final Rule should clarify the types of rewards that are *not* subject to the prohibition, and (3) about the extent of the market impact of a broader prohibition.

indirectly” modifier in the rehypothecation prohibition under section 4(a)(2) of the Act, but conspicuously omitted that language from the yield prohibition.³

These omissions were not accidental. Instead, they reflect the painstaking and hard-fought negotiation at the center of the GENIUS Act’s drafting. The legislative record also shows that Congress considered and *rejected* proposals to extend the yield prohibition in the Act to third-party arrangements, foreclosing any inference that Congress left a “gap” for the FDIC to fill.⁴

Further, the ongoing congressional debate over stablecoin yield confirms that these were deliberate choices. On May 14, 2026, the Senate Banking Committee approved, by a bipartisan vote, a draft of the CLARITY Act that distinguishes prohibited yield from “rewards and incentives based on bona fide activities or bona fide transactions.”⁵ While the Act may change further, the current draft gives no indication that Congress intends to extend the yield prohibition to third parties. The FDIC should not pre-empt this process by legislating through rule-making. Doing so would exceed the agency’s authority, inviting swift legal action and judicial review, and under *Loper Bright*, the FDIC’s interpretation would be owed no deference.⁶

If the FDIC nonetheless retains the rebuttable presumption in the Final Rule, it should clarify the presumption’s scope in several ways to reduce market uncertainty. First, the FDIC should codify the limiting principle proposed by both the OCC and the NCUA in their GENIUS Act implementing rules, which clarify that an entity does not fall within the rebuttable presumption merely because it “is an affiliate of an affiliate of the issuer.”⁷ Second, the FDIC should establish a safe harbor for the types of payments and rewards that pre-dated the Act and that Congress chose to permit, including rewards or payments that a third party (such as a wallet provider, exchange, or payment platform) independently elects to provide, that are not tied to the amount of payment stablecoins held, or that are made by an affiliate of an issuer’s affiliate. The safe harbor should also cover rewards programs that treat stablecoin holding as one factor among others, which are inherently not paid “solely” in connection with holding, tracking the text of the Act. Third, the FDIC should expressly exempt from the presumption any rewards that do not constitute “interest or yield” and are not paid “solely” in connection with the holding, use, or retention *by the holder* of a payment stablecoin. Those rewards bear no resemblance to the interest-bearing bank accounts that were the primary concern of the Act’s drafters.

If the FDIC rejects these various recommendations, it should at minimum narrow the presumption’s application to instances in which the issuer *actively directed* an affiliate or third party to provide yield solely in connection with stablecoin holding. That prohibition would align with the spirit and text of the GENIUS Act’s yield prohibition by preserving the FDIC’s ability to

³ 12 U.S.C. § 5903(a)(2) (emphasis added).

⁴ See 171 Cong. Rec. S3275, S3287 (daily ed. June 9, 2025) (reflecting Senator Warren’s failed attempt to amend the GENIUS Act 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 prohibit issuers from “directly or indirectly pay[ing]” holders interest or yield) (emphasis added).

⁵ See Amendment in the Nature of a Substitute Intended to Be Proposed by Mr. Scott of South Carolina to H.R. 3633, § 404(c), 119th Cong. (2026).

⁶ *Loper Bright Enters. v. Raimondo*, 603 U.S. 369, 400–01 (2024).

⁷ 91 Fed. Reg. 10202, 10212 (Mar. 2, 2026) (OCC); 91 Fed. Reg. 28956, 28969 (May 18, 2026) (NCUA).

address genuine evasion while minimizing the presumption's chilling effect on legitimate commercial arrangements.

Finally, the FDIC should adopt two procedural protections to guard against future administrations' potential weaponization of the FDIC's broad discretion in the Proposed Rule. First, the FDIC should provide a safe harbor for covered parties that structure a rewards program in good faith reliance on the Final Rule's framework. Second, the Final Rule should incorporate an enforcement cure period, under which the agency must notify the covered party in writing and afford the party ninety days to cure a potential violation before a civil money penalty may be assessed.

II. The FDIC Should Not Restrict Issuers to a Single Stablecoin Brand or Mandate Strict Reserve Segregation for Each Brand

Although the Proposed Rule allows that issuers may "issue[] more than one brand of stablecoin," a practice known as "white-labeling,"⁸ the Proposed Rule signals that the FDIC is considering more restrictive alternatives, including limiting each issuer to a single brand.⁹ The Proposed Rule also diverges from the OCC's proposal by mandating by default that each brand be backed by a separate, segregated reserve pool, and prohibiting required reserves for one brand from being used to satisfy redemption requests for another.¹⁰

Paradigm recommends the FDIC maintain its current posture, which permits white-labeling. Nothing in the Act's text or structure supports a single-brand restriction, and concerns about consumer confusion and run-risk are overstated¹¹ and could be addressed through less restrictive means, including disclosure requirements and brand-level reserve tracking.¹² A single-brand restriction would disproportionately harm new market entrants, imposing significant burdens on early-stage issuers without any corresponding regulatory benefit.

Paradigm is concerned with the Proposed Rule's per-brand reserve segregation requirement, which, as currently phrased, could operate as a back-door single-brand restriction. Under the Proposed Rule's approach, multi-brand issuers may be required to construct and maintain a separate set of custodial accounts, internal controls, monetization channels, and supervisory infrastructure for every brand they issue, duplicating fixed costs that will be very difficult for an early-stage issuer to absorb. For an issuer running two or three white-label arrangements, that cost structure may render the entire business model uneconomic and could, in effect, create a single-

⁸ 91 Fed. Reg. 18534, 18541 (Apr. 10, 2026). In Question 31, the FDIC asks for comment on how it should approach an issuer that wants to issue more than one brand of payment stablecoin.

⁹ *Id.*

¹⁰ *Id.* at 18540–41.

¹¹ As Paradigm explained in its comment letter to the OCC regarding the agency's analogous Proposed Rule, white-label arrangements already exist in the market without evidence of the contagion or confusion the FDIC posits: a consumer holding a defaulting white-labeled stablecoin is exceedingly unlikely to look past the named distributor, discover that the stablecoin shares a common issuer with another product, and initiate a run on that unrelated coin. *See* Paradigm Operations LP, Comment Letter on OCC Proposed Rule, OCC-2025-0372, at 6–7 (May 1, 2026).

¹² Indeed, the text of the GENIUS Act strongly suggests that multi-brand issuance is permissible. Section 5903(a)(1)(A) requires issuers to "maintain identifiable reserves backing the outstanding payment stablecoins *of the permitted payment stablecoin issuer* on an at least 1 to 1 basis." 12 U.S.C. § 5903(a)(1)(A) (emphasis added). In other words, Congress made sure that the reserve obligation runs to the issuer in the aggregate, not to any particular brand or product.

brand restriction for new entrants only. Creating such an uncompetitive landscape in a nascent industry runs counter to both the GENIUS Act's and the Proposed Rule's aims.

The Proposed Rule allows issuers to hold in an omnibus account the reserves of more than one brand so long as they remain "identifiable."¹³ But this is not a meaningful safety valve unless "identifiable" is defined. To that end, the FDIC should expressly permit multi-brand issuers to satisfy any per-brand identifiability requirement by tracking the reserves of each brand through its own subledgering. This would enable the issuer to report separate reserves for each brand, publicly or in regulatory reports, thereby accomplishing the Proposed Rule's aims without the duplicative operational costs of separate reserve pools. This approach would also align the FDIC's rule with the OCC's, consistent with the GENIUS Act's inter-agency coordination directive.¹⁴

III. The Proposed Rule's Weekly Reporting Requirements Are Unduly Burdensome

The Proposed Rule requires issuers to submit weekly reports to the FDIC through a standardized form covering eight categories of information.¹⁵ This weekly reporting requirement is unnecessary and onerous in light of the Act's and the FDIC's objectives. Worse, it is vulnerable to abuse by future administrations. Producing weekly reports across eight data categories requires significant fixed investment in analytics and compliance infrastructure, requiring substantial financial resources and typically years of development and integration. While that investment may be manageable for large issuers, the costs could be prohibitive for an early-stage issuer. This outcome undermines the Act's purpose of increasing stablecoin adoption and fostering competition.

The Proposed Rule's omission of defined reporting categories compounds these concerns by leaving the reporting framework susceptible to unilateral expansion. Because the form is established and modified administratively, a future FDIC hostile to stablecoin issuers could broaden the scope or complexity of the weekly reporting requirements without notice-and-comment rulemaking.

Paradigm therefore recommends two changes to the Proposed Rule. First, the FDIC should adopt a monthly, as opposed to weekly cadence, which would substantially reduce operational burdens on issuers while still achieving the FDIC's supervisory objectives. Second, the FDIC should specify the reporting categories and their required level of detail in the rule text itself, rather than delegating those decisions in a form that can be modified administratively.

IV. The FDIC Should Treat Tokenization Consistently for Deposits and Reserve Assets

Paradigm strongly supports the FDIC's proposed amendments to Part 330.¹⁶ By confirming that tokenized deposits remain "deposits" for purposes of the Federal Deposit Insurance Act ("FDI Act"), the FDIC provides banks the regulatory certainty needed to offer tokenized deposit products. This development will also benefit issuers, which may then be able to hold reserves in deposits that can be transferred and redeemed outside of normal banking hours. Such a system

¹³ 91 Fed. Reg. 18534, 18579 (Apr. 10, 2026). The FDIC asks for comment on the description of "identifiable" reserves in Question 29.

¹⁴ 12 U.S.C. § 5913(b).

¹⁵ 91 Fed. Reg. 18534, 18550 (Apr. 10, 2026). The FDIC seeks input on these requirements at Questions 90 and 91.

¹⁶ *Id.* at 18560 (§ 330.1(e)). In Question 131, the FDIC asks whether the amendments to Part 330 are appropriate.

makes the banking system safer and, in an era of omnipresent digital communication and commerce, more anti-fragile.

Applying the same logic, the FDIC should also amend § 350.4(e) of the Proposed Rule to recognize tokenized forms of the assets enumerated in § 350.4(e)(1), (2), (3), (4), and (7) as eligible reserve assets, which Congress expressly required in the Act.¹⁷ Moreover, the FDIC’s tokenized-deposit rationale, that the FDI Act’s definition of deposit is technology-neutral, applies with equal force to qualifying reserve assets in § 350.4(e). The relevant risks associated with any reserve asset, including credit, liquidity, counterparty, and interest rate risk, attach to the underlying asset, not the technological wrapper. Additionally, such risks are already addressed at the asset level by the diversification and concentration limits in § 350.4(f).¹⁸ For the same reason, the FDIC should not impose any percentage cap, sub-cap, or other quantitative limit on the share of reserves held in tokenized form. Such a cap has no statutory basis in § 4(a)(1)(A)(viii) and would force issuers to maintain duplicative operational infrastructure, a tokenized rail for the in-cap portion and a conventional rail for the rest, without any corresponding regulatory benefit.

Permitting tokenized reserves also supports and strengthens the redemption framework created by the Proposed Rule. Tokenized reserve assets can settle on a 24/7 basis, reducing intraday and weekend settlement risk and allowing issuers to rebalance reserves outside conventional banking hours, which is precisely when stablecoin redemption demand often arises given the cross-border nature of the market. Continuous settlement effectively bridges the stablecoin ecosystem and traditional banking rails, narrowing the timing gaps that can turn an ordinary redemption surge into a liquidity event. Authorizing tokenized reserves therefore strengthens, rather than weakens, an issuer’s ability to meet its timely-redemption obligation under § 350.5.¹⁹

Aligning § 350.4(e) with the OCC’s proposed § 15.11(b)(8) is also the result most consistent with the inter-agency coordination Congress required. The OCC has already determined that tokenized forms of qualifying reserve assets should qualify under the Act.²⁰ Therefore, absent a corresponding change to the FDIC’s Rule, two otherwise-identical issuers—subsidiaries of an insured depository institution, holding identical reserves—would be subject to different reserve rules based solely on which regulator supervises them. That is exactly the kind of jurisdictional fragmentation the Act was designed to prevent.

V. The FDIC Should Affirm Its Resolution Authority Over National Trust Bank Issuers

Section 11(g)(1) of the Act provides that an issuer that is a “depository institution” under the FDI Act “shall be resolved by the [FDIC], [NCUA], or State payment stablecoin regulator, as applicable.”²¹ But the Act does not specify which of those three agencies resolves which type of depository institution, and the phrase “as applicable” leaves the allocation to be worked out by reference to each agency’s underlying authority.

¹⁷ 12 U.S.C. § 5903(a)(1)(A)(viii). In Question 36, the FDIC asks whether § 350.4(e) should expressly acknowledge that tokenized assets complying with applicable law are eligible reserve assets.

¹⁸ 91 Fed. Reg. 18534, 18542 (Apr. 10, 2026).

¹⁹ *Id.* at 18545.

²⁰ 91 Fed. Reg. 10202, 10215 (Mar. 2, 2026).

²¹ 12 U.S.C. § 5911.

Although the allocation is straightforward for most depository institutions, it is not obvious for a national trust bank, which is OCC-chartered, typically uninsured, and a “depository institution” under the FDI Act. The OCC is not among the three agencies listed in § 11(g)(1), yet the OCC retains pre-existing receivership authority over uninsured national banks under 12 U.S.C. § 191. The OCC’s Proposed Rule expressly declined to resolve the issue, noting only that its definition of “depository institution” “would not affect the meaning of the term under section 11(g) of the GENIUS Act.”²² However, the FDIC’s Proposed Rule is silent on this issue altogether.

This ambiguity has important practical consequences. Several leading issuers are, or are seeking to become, national trust banks. Institutional customers, foreign regulators, custodians, and counterparties routinely ask which insolvency regime would govern a given issuer’s failure, and the answer determines critical questions such as the identity of the receiver, the applicability of an automatic stay, the timeline for redemptions, and the procedural mechanics of claims administration. Until the resolution authority for a national trust bank issuer is clarified, those questions cannot be answered with confidence. Worse, this uncertainty is most damaging at exactly the moment clarity matters most. A failing issuer’s management and counsel should be focused on executing an orderly wind-down, not on resolving a threshold dispute over which insolvency regime governs their conduct.

The FDIC should resolve this ambiguity in the Final Rule, in coordination with the OCC under § 13 of the Act. Paradigm’s view is that the FDIC is the appropriate resolution authority for a national trust bank issuer, for several key reasons: (1) the FDIC is named in § 11(g)(1) of the Act, where the OCC is not; (2) the FDIC has far deeper experience resolving banks and could readily execute the rapid insolvency process contemplated by the Act; and (3) the OCC’s receivership framework for uninsured national banks is untested and ill-suited to stablecoin issuers. The FDIC should also develop tailored receivership rules for issuers that account for the unique features of stablecoin issuer insolvencies.

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Paradigm appreciates the FDIC’s consideration of our comments. If you have any questions or would like to discuss these comments further, please reach out to Stefan@paradigm.xyz.

Sincerely,

/s/ Stefan Schropp

Stefan Schropp
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Paradigm Operations LP

²² 91 Fed. Reg. 10202, 10205 n.24 (Mar. 2, 2026).