July 17, 2026

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: **RIN 3133-AG10: Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the National Credit Union Administration**

Dear Secretary Conyers-Ausbrooks,

Paradigm Operations LP ("**Paradigm**") appreciates the opportunity to comment on the National Credit Union Administration's ("**NCUA**") proposed rulemaking ("**Proposed Rule**") for implementing requirements established by the Guiding and Establishing National Innovation for U.S. Stablecoins Act ("**GENIUS 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 NCUA-licensed issuers and undermine the pro-consumer and pro-competitive benefits that Congress sought to foster through the GENIUS Act.

* * * * *

I. NCUA's Implementation of the Yield Prohibition Should Track the Act's Text

The GENIUS Act's "yield prohibition" restricts issuers from paying interest or yield to holders "**solely in connection** with the holding, use, or retention" of a stablecoin.[2] The Proposed Rule expands the yield prohibition by including a rebuttable presumption that certain indirect arrangements, including arrangements with "related third part[ies]," fall within the prohibition's scope.[3] In Questions 32–36, NCUA requests comment on this approach, including on: (1) the scope and clarity of its proposed rebuttable presumption; (2) whether the rebuttable presumption should include safe harbors or a de minimis carve-out; and (3) whether the Proposed Rule appropriately addresses NCUA's concerns regarding evasion risk.[4]

[1] More information about Paradigm is available online at https://www.paradigm.xyz/.
[2] 12 U.S.C. § 5903(a)(11) (emphasis added).
[3] § 706.201(c)(4)(i); 91 Fed. Reg. 28956, 29023 (May 18, 2026).
[4] 91 Fed. Reg. 28956, 28972 (May 18, 2026).

Paradigm recommends that the final rule omit NCUA's proposed expansions of the yield prohibition and track the Act's unambiguous text. Neither the extension of the prohibition to "related third part[ies]" nor the rebuttable presumption is supported by the statutory language. In fact, Congress omitted the phrase "*directly or indirectly*" from the text of the yield prohibition, despite including that modifier in other parts of the Act (including section 4(a)(2)'s rehypothecation prohibition).[5] Although Paradigm acknowledges NCUA's evasion-risk rationale, that concern does not warrant such stark deviation from the Act's plain text. Given the ample evidence that Congress considered and *rejected* proposals for a broader prohibition,[6] courts will likely view NCUA's expansions as impermissible policymaking.

Indeed, the ongoing congressional deliberations confirm that the scope of the yield prohibition was—and remains—an intentional legislative choice. On May 14, 2026, the Senate Banking Committee advanced, 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."[7] NCUA should not pre-empt this legislative 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*, NCUA's interpretation would be owed no deference.[8]

A narrow yield prohibition sufficiently addresses NCUA's concern that members will pull funds from credit unions to invest in stablecoins.[9] That scenario depends on issuers' ability to pay holders for merely parking funds in stablecoins. But even a narrow reading of the yield prohibition reaches those arrangements without NCUA's modifications, and the incentives the Act does permit (*e.g.*, merchant discounts) reward spending and commercial arrangements—not holding.

If NCUA retains the rebuttable presumption, it should incorporate safe harbors protecting legitimate arrangements that Congress did not intend to prohibit. Among the options NCUA has already contemplated, Paradigm supports adoption of the de minimis exception contemplated by Question 32, which spares trivial, good-faith arrangements with no real economic impact from the presumption's reach. NCUA should also codify the carve-outs identified in the Proposed Rule's preamble, including for arrangements with an "Affiliate of an Affiliate" of an issuer, merchant-offered discounts, and profit-sharing arrangements with non-affiliate white-label partners.[10] Paradigm further supports NCUA's proposed clarification that the white-label presumption applies only to holders of the related third-party's white-labeled coin (not holders of other stablecoins issued by the issuer).[11]

Additionally, NCUA should provide additional safe harbors covering arrangements Congress was aware of and chose *not* to expressly prohibit, including those involving rewards or payments

---

[5] 12 U.S.C. § 5903(a)(2) (emphasis added).
[6] *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).
[7] *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).
[8] *Loper Bright Enters. v. Raimondo*, 603 U.S. 369, 400–01 (2024).
[9] 91 Fed. Reg. 28956, 28972 (May 18, 2026).
[10] *Id.* at 28969–70.
[11] *Id.* at 28970.

(1) that a third party (such as a wallet provider, exchange, or payment platform) independently elects to provide, or (2) that are not tied to the amount of payment stablecoins held. Any presumption should also exclude 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—and therefore bear no resemblance to the interest-bearing bank accounts that were the GENIUS Act drafters' primary concern. At the very least, NCUA should 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—preserving the agency's ability to address genuine evasion while minimizing the presumption's inevitable chilling effect on legitimate commercial arrangements. Codification of these critical safe harbors in the text of the final rule promotes clarity, reduces market uncertainty, and facilitates consistent enforcement across administrations.

Finally, Paradigm notes that the Proposed Rule affords NCUA broad discretion in enforcing the yield prohibition: NCUA may prohibit "any activity that [it] determines is an evasion" of Section 4 of the Act or the agency's implementing rules, and it may determine whether a party has sufficiently rebutted the presumption in its "judgment."[12] Paradigm urges NCUA to adopt two additional procedural protections to guard against future administrations' potential weaponization of this broad discretion. First, NCUA should provide a safe harbor for parties that structure a rewards program in good faith reliance on the final rule's framework, including any safe harbors, examples, or guidance NCUA has provided, consistent with the forbearance approach NCUA proposes for AML/CFT compliance.[13] Second, the final rule should incorporate a 90-day enforcement cure period, which would afford a covered party ninety days from NCUA's written notification to cure any potential violations before the agency could pursue a civil money penalty. These protections afford NCUA flexibility to calibrate enforcement while preserving the regulatory predictability that responsible market entry requires.

II. NCUA Should Not Restrict Issuers to a Single Stablecoin Brand

Although the Proposed Rule permits multi-brand issuance or "white-labeling," NCUA requests comment on whether this practice should be prohibited in the final rule.[14] It also seeks input on a compromise approach: a single brand restriction coupled with streamlined approval of applications to become an NCUA-Licensed PPSI for affiliated issuers.[15] NCUA further suggests that affiliated issuers could mitigate the burdens associated with the single brand restriction by sharing certain services and back-office functions.[16]

Paradigm recommends that NCUA retain its current approach and not impose a single-brand restriction. Nothing in the Act supports a prohibition on white-labeling; in fact, the Act's text and structure strongly suggest that Congress intended to authorize multi-brand issuance. 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."[17] In other words,

[12] § 706.201(c)(4)(iii), (c)(6); *id.* at 29024.
[13] § 706.502; *id.* at 29034.
[14] *Id.* at 28971.
[15] *Id.*
[16] *Id.*
[17] 12 U.S.C. § 5903(a)(1)(A) (emphasis added).

Congress made sure that the reserve obligation runs to the issuer in the aggregate, not to any particular brand or product.

NCUA's concerns about consumer confusion and run-risk do not warrant the contemplated restrictions[18] and are adequately addressed through the Proposed Rule's disclosure requirements,[19] 1:1 identifiable-reserve requirements,[20] and the non-rehypothecation rule.[21] A single-brand restriction would also obstruct the Act's aims by disproportionately burdening new market entrants and early-stage issuers without any corresponding regulatory benefit. For an early-stage issuer, white-labeling may be the most, or only, viable path to market given the strong network effects favoring incumbent issuers. NCUA's alternative proposals—that affiliated issuers could share back-office functions or obtain streamlined approval—do not alleviate these burdens in any meaningful way. Neither option would reduce legal and governance overhead or relieve issuers from obligations to satisfy reserve and capital requirements—the dominant fixed costs associated with a single brand restriction.

For the same reasons, Paradigm supports NCUA's decision to permit issuers to back all stablecoins with a single, consolidated pool of reserves measured against the issuer's combined Outstanding Issuance Value.[22] This consolidated reserve treatment aligns with the OCC's approach,[23] and it avoids unnecessary duplication of fixed costs that are difficult for early-stage issuers to absorb.

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

The Proposed Rule requires issuers to submit weekly reports through a standardized form in the manner and form specified by NCUA.[24] Question 125 seeks comment on the appropriateness of this reporting requirement.[25]

Paradigm submits that the Proposed Rule's weekly reporting requirement is unnecessarily onerous in light of the Act's and NCUA's objectives. Producing weekly reports across numerous data categories requires significant fixed investment in analytics and compliance infrastructure. While that investment may be proportionate for an issuer with billions of dollars in outstanding stablecoins, for an early-stage issuer, the cost of the reporting system can eclipse the revenue the product generates. The predictable result is that incumbents absorb the cost as overhead while new entrants must divert scarce resources from product development to compliance infrastructure—or

---

[18] 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 NCUA 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).
[19] § 706.203(d); 91 Fed. Reg. 28956, 29027 (May 18, 2026).
[20] § 706.202(a); *id.* at 29024.
[21] § 706.201(c)(5); *id.*
[22] § 706.202(a); *id.* at 29024.
[23] *See* proposed 12 C.F.R. §§ 15.2, 15.11(a)(1)(iii), 91 Fed. Reg. 10202, 10287 (Mar. 2, 2026); *see also id.* at 10208 (explaining that "outstanding issuance value" would "include the combined total par value of different brands of payment stablecoin issued by the payment stablecoin issued by the payment stablecoin issuer (e.g., under a white label arrangement)").
[24] § 706.205(h), *id.* at 28993, 29029.
[25] *Id.*

decline to enter the market altogether. This outcome undermines the Act's purpose of increasing stablecoin adoption and fostering competition and ultimately hurts consumers and end-users.

The Proposed Rule's reliance on a standardized form also leaves the reporting framework susceptible to unilateral expansion by a future administration. Because the form would be established and modified administratively, a future NCUA hostile to stablecoin issuers could broaden the scope, granularity, or complexity of the weekly reporting requirements without notice-and-comment rulemaking.

Paradigm recommends NCUA incorporate two changes in the Proposed Rule to address these concerns. First, NCUA should adopt a monthly, as opposed to weekly, reporting cadence. This modification would substantially reduce operational burdens on issuers while still achieving NCUA's supervisory objectives. A monthly cadence also aligns with the broader trend among financial regulators toward reducing reporting frequency to preserve U.S. competitiveness with Europe and other countries.[26] Second, NCUA should specify the reporting categories and their required level of detail in the text of the rule itself, rather than delegating those decisions to a form that can be modified administratively.

IV. NCUA Should Retain Its Technology-Agnostic Approach to Reserve Assets

The Proposed Rule expressly recognizes tokenized forms of certain eligible reserve assets may satisfy reserve requirements, although it extends that recognition only to a subset of the eligible categories, rather than to all reserve assets authorized by the Act.[27] In Question 47, NCUA asks whether the Proposed Rule should define "reserve in tokenized form" to enhance the clarity of proposed § 706.202(b)(8).[28] In Question 68, NCUA raises, among possible diversification limits, a cap on tokenized forms of reserve assets.[29] The Proposed Rule treats reserves held in Share Accounts at FICUs as the issuer's corporate accounts, meaning they would be insured to the issuer but would not be insured to holders on a pass-through basis.[30] Questions 167–172 seek comment on the appropriateness of this approach.[31] Finally, the Proposed Rule provides that share insurance is technology neutral, meaning that tokenized shares satisfying the Federal Credit Union Act's ("FCUA") definition of "account" remain insured share accounts.[32]

Paradigm supports NCUA's recognition of tokenized reserve assets as eligible to satisfy reserve requirements. The risk associated with a particular category of reserve asset turns on the underlying asset, not the medium in which it is recorded. Therefore, there is no reason for a reserve asset's eligibility to depend on whether the asset is held in conventional or tokenized form. For that same reason, Paradigm urges NCUA to extend proposed § 706.202(b)(8) to all categories of eligible reserve assets, rather than the subset the provision currently cross-references. There is no

---

[26] Jim Moloney, Dir., Div. of Corp. Fin., U.S. Sec. & Exch. Comm'n, *Coming Attractions From the Division of Corporation Finance* (Feb. 13, 2026) (noting that the "Division staff is currently working on advancing our rulemakings as quickly as possible," focusing on priorities including "creating an option for semi-annual, rather than quarterly, reporting").
[27] § 706.202(b)(8), 91 Fed. Reg. 28956, 28974, 29024 (May 18, 2026).
[28] *Id.* at 28979.
[29] *Id.* at 28981.
[30] § 706.202(c); *id.* at 29006–07.
[31] *Id.* at 29007–08.
[32] *Id.* at 29008.

principled basis for permitting tokenized versions of some categories of assets to qualify as reserve assets while excluding others. By the same logic, NCUA should also remain agnostic as to which form of technology is used for tokenization, so long as relevant regulations are still followed.

Paradigm also urges NCUA not to adopt the quantitative limit on tokenized reserves contemplated by Question 68. Those potential limits would arbitrarily restrict an asset's eligibility for use as a reserve asset based on how it is recorded, as opposed to any difference in risk. That restriction contravenes the technology-neutral approach reflected in § 706.202(b)(8) and would discourage reserve practices that may reduce settlement risk and facilitate continuous redemption.

Paradigm supports the Proposed Rule's clarification in Part 745 that share insurance is technology-neutral, meaning a tokenized share meeting the FCUA's definition of an "account" remains a fully insured share account.[33] Paradigm likewise supports proposed § 745.6(b)'s treatment of reserves held in Share Accounts at federally insured credit unions as corporate accounts of the issuer, without pass-through to holders. These approaches track the FDIC's treatment of tokenized deposits and reserve deposits, respectively, promoting consistency among key regulators.[34]

V. NCUA Should Clarify That "Deposits" Include Insured Shares

The Proposed Rule concludes that tokenized shares, like tokenized deposits, fall outside the Act's definition of "payment stablecoin."[35] In Questions 5 and 15, NCUA asks whether it should make that interpretation explicit in the final rule by (1) adopting a single definition of "deposit" covering both deposits and Share Accounts and (2) stating in Part 706 of the final rule that DLT-recorded Share Accounts are excluded from the definition of "Payment Stablecoin."[36]

Paradigm agrees with NCUA's interpretation, which is amply supported by the Act's text, structure, and purpose. The Act's rule of construction preserves a credit union's authority to "accept[] . . . deposits or *shares* (in the case of a credit union)" and to "issu[e] digital assets that represent those deposits or *shares*."[37] That express pairing of deposits and shares—including in their tokenized forms—supports the conclusion that Congress deemed deposits and shares equivalent and intended for both to fall outside the payment-stablecoin regime. That conclusion is reinforced by FCUA's definition of "account," which turns on the substance of the member's relationship with the credit union and is neutral as to the technology used to record it.[38] Reading "deposit" to exclude shares would therefore produce an anomalous gap by subjecting credit-union liabilities to the payment-stablecoin regime, while exempting their economically and legally

---

[33] § 745.6(b); *id.* at 29006–07.
[34] The SEC has similarly proposed modernizing regulatory requirements to accommodate tokenization. In a recent release, the SEC identifies distributed ledger technology enabling issuers to tokenize securities as an important innovation raising questions about the continued fit of legacy market-structure requirements. *See The Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS*, Exchange Act Release No. 34-105655, File No. S7-2026-20, at 14 (June 2026). To that end, the SEC proposes rescinding two rules—the Regulation NMS trade-through rule (Rule 611) and its locked-and-crossed-markets provision (Rule 610(e))—that may have discouraged equity markets from adopting trading mechanisms leveraging these innovations. *Id.*; *see also id.* at 41 & n.156.
[35] *Id.* at 29008; *see also* 12 U.S.C. § 5901(22)(B)(ii).
[36] *Id.* at 28967.
[37] 12 U.S.C. § 5915(a)(1) (emphasis added).
[38] 12 U.S.C. § 1752(5).

equivalent bank-centric counterparts. Paradigm further recommends that NCUA eliminate any ambiguity by codifying its interpretation in the final rule.

* * * * *

Paradigm appreciates NCUA'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
Senior Regulatory Counsel
Paradigm Operations LP