April 13, 2026

National Credit Union Administration
Office of General Counsel
Attn: Comment Processing
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: **NCUA-2025-1335: Investments in and Licensing of Permitted Payment Stablecoins Issuers**

To Whom It May Concern:

Paradigm Operations LP ("**Paradigm**") appreciates the opportunity to comment on the rulemaking[1] proposed by the National Credit Union Administration Board ("**NCUA**" or "**Board**") regarding licensing, regulating, and supervising Permitted Payment Stablecoin Issuers ("**PPSIs**") that are subsidiaries of federally insured credit unions ("**FICUs**") under the Guiding and Establishing National Innovation for U.S. Stablecoins Act ("**GENIUS Act**"). Paradigm is a research-driven investment firm that invests and builds in crypto, AI, robotics, and across new frontiers from the earliest stages.[2] This letter provides responses regarding sections 706.112 ("**Investment Limitation**") and 706.111 ("**Change in Control**") of the Proposed Rule.

Paradigm commends the Board on its thoughtful approach to implementing the GENIUS Act, which reflects a commitment to ensuring that NCUA-licensed stablecoin issuers, particularly those in their earliest stages, have a clear and flexible pathway to bring innovative products to market. As detailed below, Paradigm likewise believes that tailored guardrails are critical to delivering on the pro-competitive and pro-consumer promise of payment stablecoins and, accordingly, submits the following comments to encourage the Board to (i) maintain flexibility regarding FICU investment in stablecoin issuers and (ii) provide clarity regarding changes of control. In short, we believe this rule is a good effort at ensuring the GENIUS regime applies fairly to credit unions, but this good effort can be made even greater with these narrow tweaks.

I. Retaining Flexibility for PPSI Investment

The Proposed Rule's Section 706.112 would restrict FICU investment in any PPSI to only those with an NCUA license. The Board has offered two reasons for this proposal: (1) potential ambiguity regarding which Federal payment stablecoin regulator oversees a PPSI,[3] and (2) the

---

[1] Investments in and Licensing of Permitted Payment Stablecoins Issuers, 91 Fed. Reg. 6531 (proposed Feb. 12, 2026) (to be codified at 12 C.F.R. pt. 706).
[2] More information about Paradigm is available online at https://www.paradigm.xyz/.
[3] 91 Fed. Reg. 6531, 6546.

Board's traditional interpretation of federal credit unions' lending and investing authorities.[4] Neither reason justifies the proposed restriction on outbound FICU investments in non-NCUA PPSIs, just as the Proposed Rule does not limit inbound investment by non-FICUs in NCUA PPSIs. Each of these issues is discussed in turn.

1. *FICU Investment in non-NCUA PPSIs Will Not Create Regulator Ambiguity*

Request for Comment: The Board highlighted that the GENIUS Act explicitly designated the NCUA as the primary Federal payment stablecoin regulator of subsidiaries of insured credit unions, which could include non-NCUA licensed PPSIs who receive credit union investments. In the Board's view, such investments in non-NCUA licensed PPSIs could create ambiguity as to which regulator would have primary oversight responsibility and, as a result, the Board has proposed to outright prohibit FICUs from investing in other PPSIs.[5]

The Board asked for feedback regarding how the NCUA should approach the potential interjurisdictional issues that may arise between different PPSI regulators, specifically including whether a PPSI that is already licensed and supervised by another primary Federal payment stablecoin regulator should be considered a FICU subsidiary and how the NCUA should approve and supervise the PPSI or the FICU's engagement with the PPSI.[6]

Paradigm's Response: The Board should not prohibit or otherwise impose new restrictions on FICU investments in non-NCUA licensed PPSIs solely to avoid ambiguity as to the designation of the primary Federal payment stablecoin regulator. Instead, the Board should permit the Federal payment stablecoin regulator that approved and licensed the non-NCUA PPSI to continue to serve as its primary supervisor, with the NCUA and other responsible agencies employing a principles-based framework to coordinate oversight.

As an initial matter, the Board is correct that in certain situations where the FICU invests in a non-NCUA licensed PPSI, the NCUA may become involved in supervising that engagement. And the Board is also correct that this may result in the involvement of multiple regulators in the oversight of a particular PPSI. But being subject to multiple regulators is not a novel issue in American financial regulation (*see, e.g.*, the existence of the Federal Stability Oversight Council or joint jurisdiction of the CFTC and SEC over aspects of the swaps markets). Such limited dual jurisdiction is more than manageable for the NCUA and its member institutions here without the imposition of a blanket prohibition on pro-competitive, pro-consumer conduct. Focusing on pro-forma limits on jurisdiction marooned from the substantive benefits of multiple regulatory eyes is the epitome of placing form over function.

Indeed, banking organizations in the U.S. are frequently subject to the simultaneous authority of multiple regulators. As just one example, state insured banks are generally supervised by a state regulator and either the FDIC or Federal Reserve Board.[7] To coordinate those supervisory activities, the Conference of State Banking Supervisors, the FDIC, and the Federal Reserve Board

[4] *Id.* at 6536.
[5] *Id.* at 6543.
[6] *Id.*
[7] *Financial Institution Lists*, Off. of the Comptroller of the Currency, https://www.occ.treas.gov/topics/charters-and-licensing/financial-institution-lists/index-financial-institution-lists.html (last visited Mar. 25, 2026).

employ a principles-based State/Federal Supervisory Protocol ("**Protocol**") to allocate supervisory responsibility between them.[8] The Protocol seeks to "minimize regulatory burden and maximize efficiency" by streamlining the mechanics of supervision while keeping the various regulators coordinated. The Protocol makes clear that even with concurrent jurisdictions of various regulators, there is a viable path to efficient and effective supervision through pre-defined interagency coordination. With appropriate adaptations, the Protocol could be a useful model for how stablecoin supervisory responsibility can be allocated between the NCUA and other regulators.

Moreover, a FICU's investment in a non-NCUA PPSI does not present the type of safety and soundness concerns that would potentially justify a more heavy-handed oversight regime. In addition to the fact that these PPSI's will be directly overseen by other federal regulators under the GENIUS Act, and as the Board notes in the Proposed Rule, any such investment would be limited to "1 percent of [the FICU's] total paid in and unimpaired capital and surplus."[9] This investment limitation, which the Board has not proposed to modify as part of this rulemaking, mitigates any risk to individual credit unions and the NCUA membership as a whole potentially arising from PPSI investments.

In sum, Paradigm appreciates the concerns that animate the Board's proposal and encourages the Board to engage with other Federal payment stablecoin regulators to address such interjurisdictional issues.[10] However, Paradigm maintains that the mere potential for interjurisdictional issues should not be a basis to categorically prohibit FICU investment in non-NCUA licensed PPSIs, and that any restrictions the Board does impose should be commensurate with the minimal risk that such arrangements could pose.

2. *NCUA Interpretations on Lending and Investing Authorities Do Not Preclude Investment*

Request for Comment: The Board noted its longstanding interpretation of the lending and investment authorities under the Federal Credit Union Act, which limits federal credit unions to investing in "the shares, stocks, or obligations of any other *organization providing services which are associated with the routine operations of credit unions*" (emphasis added). While a plain reading of the FCU Act would otherwise allow federal credit unions to invest in an organization like a non-NCUA licensed PPSI that is associated with the federal credit union's routine operations, the Board has previously applied an interpretation that also requires the organization to "primarily serve" the federal credit union.

In the Proposed Rule, the Board suggests that it may, in the future, revisit that interpretation and engage in further rulemaking to allow federal credit unions to invest in companies that "broadly

---

[8] BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, State/Federal Protocol and Nationwide Supervisory Agreement, SR 96-33 (Nov. 22, 1996), http://www.federalreserve.gov/boarddocs/srletters/1996/sr9633.htm, CONF. OF STATE BANK SUPERVISORS, STATE/FEDERAL SUPERVISORY PROTOCOL (2017), https://www.csbs.org/sites/default/files/2017-11/StateFederalSupervisoryProtocol.pdf.

[9] 91 Fed. Reg. 6531, 6536.

[10] With regards to the Board's request for comments regarding potentially requiring multiple licenses from different regulators, Paradigm recommends against such multiple licenses and instead recommends making a single license from a Federal payment stablecoin regulator sufficient to reduce unnecessary administrative burdens on the Federal payment stablecoin regulators, in addition to heavy regulatory burdens on PPSIs.

serve the financial services community, but do not primarily serve credit unions and their members."[11] In the absence of that rulemaking, however, the Board specifically requests comment on whether federal credit unions "have to receive services from any PPSI in which it invests."[12]

<u>Paradigm's Response:</u> Paradigm would welcome the opportunity to comment on a future rulemaking that considers both credit union investment in companies that "broadly serve the financial services community" and whether "the GENIUS Act requires investing FCUs to receive services from any PPSI" in which they invest. Recognizing that the Board has reserved those questions for the moment, however, Paradigm writes here to note only that the GENIUS Act clearly permits FICU investment in non-NCUA issuers that provide services to that FICU *without* engaging in broader rulemaking. In other words, the Board's historical interpretation of credit union investment authority need not, and *should* not, prevent FICU investment in any PPSI.

As an initial matter, the Board itself acknowledges in the Proposed Rule that its traditional investment authority interpretation is up for debate, given the broad availability of financial services that may benefit a federal credit union and its members without "primarily serving" that credit union. The Board even provides an example, specifically where a federal credit union "could invest in an organization with community banks that could be primarily used by the community banks' customers but is also used by the [federal credit union's] members."[13] There is no meaningful distinction between that example and one that would allow a federal credit union to invest in a non-NCUA licensed PPSI that is used by its members.

But while a broad reinterpretation of the Board's investment authority interpretation may be advisable, Paradigm understands that such a departure may have larger ripple effects on the NCUA's regulations, which is reflected in the fact that the Board is contemplating a separate rulemaking. Accordingly—and in the interim—Paradigm recommends that the Board permit federal credit unions to invest in non-NCUA licensed PPSIs that provide services to the FICU. Such an interpretation would be, as the Proposed Rule notes, consistent with the text of the GENIUS Act and would enable credit unions and their members to benefit from the choice of payment stablecoin issuers while the Board considers broader rulemaking.[14] Moreover, this interpretation would preserve the Board's flexibility to "more fully consider the implications of [the GENIUS Act] should it reconsider its historic interpretation" of the FCU Act while maintaining existing guardrails for FICU investments, including in the form of the one-percent cap on investing in service organizations.

In sum, neither the text of the GENIUS Act nor the possibility of future rulemaking requires the Board to prohibit FICU investment in non-NCUA issuers who provide services to the FICU. As explained in the following section, imposing such a restriction would therefore be an unforced error that would threaten the viability of NCUA-licensed PPSIs and operate to the detriment of credit unions and their members.

---

[11] 91 Fed. Reg. 6531, 6536.
[12] *Id.*
[13] *Id.*
[14] *Id.* at 6537.

3. Non-FICU Investors in NCUA-Licensed PPSIs Should Be Permitted As Well

Request for Comment: Notably, the Proposed Rule takes the opposite approach with respect to *inbound* investment, and expressly contemplates non-FICU investment in NCUA-licensed PPSIs without a cap and subject to Board evaluation only if the outside investor controls more than ten percent of the PPSI. Specifically, the Board proposes to evaluate the directors and officers of any "Principal Shareholder" of an NCUA-licensed PPSI, and defines "Principal Shareholder" to include "a person other than an insured credit union that directly or indirectly . . . will own, control, or hold the power to vote 10 percent or more of any class of voting securities."[15] In other words, if a non-credit union wants to directly own an NCUA-licensed PPSI, there may be scrutiny for the directors and officers, but there is no prohibition.

Accordingly, the Board requested comment "as to whether an NCUA-licensed PPSI should be permitted to have non-FICU investors or if there should otherwise be a cap on non-FICU investment."[16]

Paradigm's Response: Paradigm agrees with the Board's proposal to permit non-FICU investment in NCUA-licensed entities and, moreover, submits that the reasons underlying that proposal apply with equal force to FICU investment in non-NCUA PPSIs. In short, and in both contexts, there is no statutory or policy basis for a prohibition, which would unnecessarily constrain the ability of licensed stablecoin issuers to attract investment capital and deliver innovation to credit union members.

As an initial matter, permitting investment in this direction—*from* non-FICUs *to* NCUA-licensed PPSIs—is critical for the NCUA stablecoin regime. Under the FCU Act, federal credit unions are only authorized to invest up to 1 percent of their total paid-in and unencumbered capital and surplus, including both PPSI and credit union service organization investments. In other words, credit unions are already limited in how much they can invest in PPSIs. Moreover, because stablecoins are a novel concept for many credit unions, it is possible that only a subset of FICUs may be interested in investing in PPSIs initially. Both of those facts independently, and certainly in tandem, raise significant concerns that NCUA-licensed PPSIs could face challenges raising the capital needed to establish and operate a *de novo* stablecoin business, hobbling the NCUA regulatory regime from the outset.

But, more broadly, permitting investment in *both* directions is critical, as the exchange of advice, expertise, and innovation between FICU and non-FICU investors in stablecoin issuers will unlock the potential of the GENIUS Act in blockchain technology, stablecoins and payment networks. Such cross-pollination is critical for the ecosystem's growth and to ensure Americans maximally benefit from stablecoins. Providing the capital and expertise necessary to bring new participants into the marketplace ensures healthy competition, between both issuers licensed by different regulators and those licensed by the same regulatory body, that will only further benefit consumers as the market matures.

In short, open investment in NCUA-approved PPSIs is good for those PPSIs, good for FICUs, and good for credit union members. Paradigm supports the Board's proposal on this front, and

[15] *Id.* at 6535.
[16] *Id.*

encourages the Board to apply the same approach, in order to derive the same benefits, from FICU investment in non-NCUA PPSIs.

II. Clear Transition Processes Related to Change of Control

Request for Comment: The Proposed Rule would establish a notice procedure related to the change of control of an NCUA-licensed PPSI that "would require a FICU to provide the NCUA with a written notice sixty days prior to an acquisition that would make it a Parent Company of an NCUA-licensed PPSI."[17] The Board "would not require an application, but only prior notice with an opportunity for the NCUA to issue a notice of disapproval, to reduce burden to both acquiring FICUs and the NCUA" (emphasis added).[18] Paragraphs (b) through (e) of section 706.111 of the Proposed Rule provide further details regarding the processes related to establishing change in control.

Among other things regarding this proposal, the Board asked whether the notice requirement would "impose an undue burden on acquiring FICUs" and whether commenters had alternative suggestions to "ensure subsequent controlling interests in a PPSI meet the statutory factors for approval necessary when an PPSI license is initially acquired."[19]

Paradigm's Response: Paradigm requests further clarity on a topic not covered in the Proposed Rule: namely certain emergency or otherwise urgent change-of-control scenarios that are not contemplated or discussed in the Proposed Rule, including in instances of bankruptcy or other corporate failure. To that end, we offer recommendations that would provide the necessary clarity and largely mirror the FDIC's approach to determining change in control in similar scenarios.

Specifically, Paradigm recommends implementing a ninety-day transition notice window for situations in which the previously established ownership distribution of the PPSI has changed under circumstances that threatened liquidity, solvency, or ongoing operations. The recommended ninety-day window is derived from the FDIC's ninety-day window in cases of "involuntary" acquisitions per 12 C.F.R. 303.83, and would be designed to ensure continuity of operations subject to the informed oversight of the Board during a defined transition period. During the window, we recommend that the Board require the filing of either a notice of the change in control or a rebuttal to the presumption of control (*i.e.*, in the form of certifications or passivity agreements), and further recommend that the Board adopt exemptions for certain transactions that would not require notice to mirror the FDIC per 12 C.F.R. 303.84(a). We believe these recommendations would provide clarity regarding events that lead to change in control and ensure another process is in place in the event something goes wrong with an issuer. Having good plans in place is one of the main medicines that prevent firm bankruptcies from endangering the broader ecosystem.

* * * * *

[17] *Id.* at 6545.
[18] *Id.*
[19] *Id.*

Paradigm appreciates the consideration of the Board in 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 P. Schropp

Stefan P. Schropp
Senior Regulatory Counsel
Paradigm