KANSAS BANKERS ASSOCIATION

June 9, 2026

VIA ELECTRONIC SUBMISSION

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

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

Dear Deputy Executive Secretary Jones:

The Kansas Bankers Association (KBA) appreciates the opportunity to comment on the FDIC's proposed rule implementing the GENIUS Act framework for FDIC-supervised permitted payment stablecoin issuers (PPSIs) and insured depository institutions (IDIs). The KBA has an interest in the proposal as a trade association with a membership of 99% of the banks headquartered in Kansas. Our membership also includes 24 out-of-state commercial banks operating in Kansas.

These comments are designed to supplement those of the American Bankers Association (ABA), of which the KBA is a member. The KBA is aligned with the ABA's feedback. The KBA is submitting these comments to specifically emphasize the concerns of its membership.

The KBA strongly supports a regulatory framework for payment stablecoins that promotes responsible innovation while maintaining the safety, soundness, and integrity of the banking system. However, as currently drafted, the FDIC's proposed rule presents significant legal, operational, and competitive risks that must be addressed prior to finalization.

Absent targeted revisions, the rule risks creating regulatory arbitrage, inconsistent supervisory outcomes, and unintended expansion of liability, all of which would undermine the GENIUS Act's core objectives.

First, the KBA strongly believes the FDIC must not finalize the rule without full interagency alignment. The FDIC's proposal contains substantive divergences from the OCC's proposed rule, the comment period for which ended May 1, 2026. The KBA submitted similar concerns to the OCC as part of its comment letter to the agency's proposal (a copy of which is attached hereto and incorporated by reference).

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In particular, the FDIC should not proceed with finalization until material inconsistencies across parallel GENIUS Act rulemakings are resolved. These inconsistencies will:

- Drive charter selection based on regulatory advantage, not underlying risk;
- Produce unequal compliance obligations for identical activities; and
- Create avoidable supervisory and enforcement conflicts

The KBA's position is that the FDIC should defer finalization until alignment is achieved. Where inconsistencies remain, the Agencies should re-propose revised provisions for public comment. Additionally, the Agencies must establish a coordinated final rule and implementation timeline to prevent fragmentation of the statutory framework. Failure to align will embed regulatory arbitrage into the market structure and expose institutions to conflicting compliance obligations across jurisdictions.

Second, the rule must clearly limit its scope to payment stablecoins. As drafted, the proposal risks blurring the legal line between payment stablecoins and tokenized deposits, creating material uncertainty. Specifically, the rule addresses both frameworks in proximity, increasing the likelihood of regulatory spillover. Without clear boundaries, institutions face unintended expansion of compliance obligations as to tokenized deposits, including ambiguity in asset classification and increased exposure to supervisory reinterpretation without formal rulemaking.

As a result, the KBA believes the final rule must explicitly state that all requirements apply solely to PPSIs and payment stablecoins. The final rule should confirm that tokenized deposits remain fully governed by existing deposit law and regulation. Any rules pertaining to tokenized deposits should be adopted pursuant to separate notice-and-comment rulemaking.

Third, implementation timing must be coordinated to avoid premature compliance exposure. In particular, the GENIUS Act's effective date framework introduces ambiguity that creates real implementation risk. The statute may become effective 120 days after issuance of final rules, but it is unclear whether a single agency's action could trigger that clock. Uncoordinated finalization creates the risk that banks could be bound to statutory requirements before the regulatory framework is complete, with inconsistent standards across regulators on the "go live" date.

Therefore, the KBA's position is that the FDIC must not finalize its rule without assurance of coordinated action by all primary regulators, with a synchronized implementation timeline.

Fourth, the FDIC should adopt targeted clarifications to reduce legal exposure. Specifically, the KBA supports the FDIC's conclusion that reserve deposits should only be insured at the PPSI level and that stablecoin holders are not entitled to deposit insurance coverage.

However, the proposal does not go far enough to mitigate consumer confusion. The KBA's position is that clear, prominent, and standardized disclosures should be required at point of sale and in ongoing customer communications. Without mandated disclosures, PPSIs and affiliated institutions face heightened risk of consumer claims and supervisory enforcement actions due to the potential of misrepresentation, and potentially even fraud.

Furthermore, the KBA strongly supports the FDIC's recognition that tokenized deposits remain deposits. Unfortunately, the FDIC references the term "evolving characteristics" in its proposed rule, which introduces material uncertainty in this area. This ambiguity will potentially chill bank innovation, increase regulatory and litigation risk, and create inconsistent supervisory outcomes.

Therefore, the KBA believes the FDIC should define the specific characteristics that could alter deposit status or remove the language entirely and commit to formal rulemaking before any change in classification.

The KBA fully supports the FDIC's proposed prohibition on PPSIs extending credit to customers for the purpose of purchasing payment stablecoins as the prohibition appropriately prevents the leveraged acquisition of payment stablecoins in a manner that would undermine the integrity of the 1:1 reserve requirement and expose the PPSI to the very balance sheet risks the GENIUS Act's reserve framework is designed to prevent.

However, the FDIC should clarify in the final rule that the prohibition applies solely to the PPSI itself and does not extend to the PPSI's parent IDI or affiliates, which remain subject to their own applicable lending authorities and prudential requirements. Absent that clarification, the prohibition could be read to restrict the ability of a parent IDI or affiliate to extend credit in the ordinary course of its banking business to customers who may also hold or acquire payment stablecoins, an outcome that is neither required by the GENIUS Act nor consistent with the FDIC's stated intent.

Fifth, as previously mentioned in this comment letter, the FDIC should work with the OCC and other federal regulatory agencies to resolve differences in regulatory approach before finalizing their respective rules. These differences, thus far, include:

- The definition of customer;
- Reserve concentration limits;
- Contingency planning;
- Liquidation triggers;
- Redemption timing rules.
- Capital requirements;
- Custodial requirements (ensuring that the final rules also acknowledge the impact of state-based fiduciary laws); and
- The applicability of federal privacy of consumer non-public information requirements.

Significant variations in regulations are dangerous and threaten the success of GENIUS Act implementation. Allowing these inconsistencies to exist in final rules will only serve to result in ambiguity, at best, and regulatory arbitrage, at worst.

In conclusion, the KBA believes the FDIC's proposed rule is an important step toward implementing the GENIUS Act, but critical issues remain unresolved.

To ensure a workable and legally sound framework, the FDIC must:

- Align fully with other federal regulators before finalization;
- Clarify the scope and application of the rule;
- Resolve material divergences that create legal and competitive distortions and
- Address key areas of ambiguity that expose institutions to avoidable liability.

Failure to address these issues will result in fragmented regulation, increased compliance risk, and reduced market confidence.

The KBA appreciates the opportunity to comment and stands ready to engage further as the Agencies refine the final rule.

Respectfully submitted,

Douglas E. Wareham, President & CEO
Kansas Bankers Association

Terri D. Thomas, JD, EVP-General Counsel
Kansas Bankers Association

KANSAS BANKERS ASSOCIATION

April 30, 2026

Chief Counsel's Office
Office of the Comptroller of the Currency
400 7th Street
SW Washington, DC 20219

RE: Docket ID - OCC-2025-0372; Implementing the GENIUS Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency (OCC)

To Whom it May Concern:

The Kansas Bankers Association (KBA) is submitting this comment letter in response to the OCC's Notice of Proposed Rulemaking (NPRM) implementing the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act. The NPRM was proposed to create a regulatory framework for the issuance and custody of payment stablecoins by entities [hereinafter referred to as "permitted payment stablecoin issuers (PPSIs)" or "issuers"] subject to OCC supervision, including national banks and federal savings associations and their subsidiaries. The KBA has an interest in the proposal due to these financial institutions being association members. The KBA's membership includes 99% of the headquartered banks in Kansas. Our membership also includes 24 out-of-state commercial banks operating in Kansas.

These comments are designed to supplement those of the American Bankers Association (ABA), of which the KBA is a member. The KBA is aligned with the ABA's feedback, especially as it pertains to the over 200 questions posed by the OCC. The KBA is submitting these comments to emphasize the concerns of its membership to the OCC's NPRM.

I. Consistency in Regulation

First, the KBA would like to remind regulators that everything related to the future of stablecoins, from issuance to reserves, is completely new, and for many of the issues, existing laws and regulations used for other investments, services, and payments systems will likely not be helpful in creating new laws and regulations for stablecoins. As a result, it is especially important that regulators take their time to issue rules that are prudent and carefully planned. No one other than bad actors will benefit from rules that are issued hurriedly or haphazardly.

Furthermore, because stablecoins will be regulated by state and federal financial institution regulators, it is of the utmost importance that inconsistencies be avoided in an effort to reduce the potential for regulatory arbitrage that would undermine safety and soundness. In particular, the OCC should work

closely with peer regulators to ensure requirements related to capital, reserves, consumer protection, liquidity, and yield alternatives are applied consistently across charter types and entity structures, with any differentiation based primarily upon the size and complexity of the institution.

Additionally, the regulators should ensure that the various rules pertaining to the issuance of stablecoin be effective on the same date, rather than triggering at different times. There is risk of inconsistent regulatory enforcement if one regulator permits the issuance of stablecoin prior to the others.

II. Preserving Community Bank Viability

a. Tailoring

Regulators should be cognizant of the issues facing community banks as stablecoins are incorporated into our economy. The failure to tailor regulation of banks and their subsidiaries based upon size and risk would make it unlikely that community banks will have the critical mass to successfully issue their own stablecoins, and therefore they will be unable to compete head-to-head with large bank issuers. Additionally, any rule that provides for exemptions based upon asset size or other numerical criteria should be indexed to automatically adjust in the future.

b. Indirect Yield Arrangements

Furthermore, while the GENIUS Act prohibits the payment of interest or yield, this prohibition must be robustly enforced to prevent stablecoins from becoming functional substitutes for interest-bearing deposits without equivalent prudential obligations. Additionally, regulators should recognize that indirect yield arrangements pose the same risk as prohibited direct interest payments. Policies that fail to prevent issuers and related third parties from offering yield-like economic benefits to customers who hold stablecoins on their platforms will lead to deposit disintermediation as community bank deposits will likely transition out of banks to larger providers, effectively reducing the ability of community banks to lend in their communities. For example, it is projected that the potential deposit outflows from Kansas banks to payment stablecoins offered by other issuers could range from $3.8 billion to $7.5 billion, resulting in lost lending to Kansas households and businesses of $2.9 billion to $5.7 billion (per the ABA's STABLECOINS AND DEPOSIT OUTFLOWS: Implications for Community Banks in Kansas report).

III. Maintaining Visitorial and Preemption Powers

With recent litigation threatening the exclusive preemption and visitorial authority of the OCC over national banks and federal savings associations and their subsidiaries, it would be wise for the OCC to clarify its authority to regulate the issuance of stablecoins by these entities, as well as the custodial requirements, so there is no attempt by other parties to exert authority over these institutions.

IV. Application Review Standards and Transparency

a. Evaluation of Applications

While the GENIUS Act authorizes the OCC to evaluate issuer applications based on "any other factors" necessary to ensure safety and soundness, the KBA believes that the OCC's proposal does not sufficiently specify these factors. The OCC should codify a detailed, enumerated list of considerations, including consumer protection compliance, AML/CFT readiness, technology and cybersecurity resilience, governance capacity, affiliate structure and contagion risk, business plan viability, and regulatory compliance history. Codification of these factors would assist with application transparency, provide applicants with fair notice, and strengthen the legal foundation for application denials where appropriate. It would serve to better protect the interests of the FDIC Deposit Insurance Fund by identifying problematic applications early on in the application process.

b. Temporary Waivers [Section 5(f)]

Furthermore, the KBA is concerned about the lack of standards governing the OCC's temporary waiver authority in the NPRM [under Section 5(f)]. While such temporary waivers may be appropriate in extraordinary circumstances, left unchecked such discretion creates uncertainty and risks inconsistent outcomes. The KBA recommends that the OCC further defines the standards for when such temporary waivers would be considered and ultimately granted, including subjecting significant waivers to public notice and comment, given the potential systemic and competitive implications of payment stablecoin issuance.

V. Custody of Stablecoin Reserves

a. Reporting and Monitoring of Reserves

The KBA supports banks' integral role as custodians of stablecoin reserves. However, the proposed rule improperly assigns issuer responsibilities to custodians. Specifically, the KBA opposes requirements for custodians to report reserve composition by permitted investment category. Such requirements should be the responsibility of issuers. Under the reserve system proposed, it is probable that multiple custodians will hold the reserves of a stablecoin issuer and therefore a custodian holding only a portion of a PPSI's reserves would lack the knowledge or control required to meaningfully perform reserve composition reporting.

In addition, the KBA urges the OCC to confirm that prior guidance requiring custodians to monitor reserve sufficiency (Interpretive Letter 1172) is superseded by the GENIUS Act framework, which clearly places the obligation on issuers rather than custodians.

b. Clarification of Fiduciary Status

To avoid unnecessary compliance burdens, the KBA asks the OCC to clarify that directed, non-discretionary custody of reserve assets does not constitute fiduciary activity under 12 C.F.R. Part 9 unless the custodian independently undertakes fiduciary functions.

c. Reserves Held in Cash

The KBA believes that custodians of stablecoin reserves should be required to adhere to custodial standards that align with established custody norms, rather than creating new, more burdensome standards. For example, payment stablecoin reserves held in the form of cash may be maintained by an insured national bank or federal savings association as a deposit liability, but the rule should make clear that this treatment reflects existing custody practice and does not imply that cash is held "in custody" in the same manner as securities or other property. Cash received by a bank custodian is a deposit liability reflected on the bank's balance sheet; it is not a custodied asset, cannot be legally or operationally segregated, and is maintained in custody accounts only as a bookkeeping designation. The final rule should therefore clarify that references to custodial or safekeeping treatment of cash are not intended to alter this settled framework or suggest segregation of custody obligations that are not legally possible for cash. Similarly, rules surrounding pricing practices and settlement timing obligations should not be significantly different from the current practices of bank custodians holding reserves for other purposes.

d. Concentration Limits for Reserves

The OCC proposed to limit the maximum reserves held by a single insured depository institution (IDI) to 40%. The KBA believes that this limitation would ensure that more banks, including community banks, will have the opportunity to participate in the custodial process. Without such limits, issuers would be able to hold all reserves at a single large depository institution, reducing the breadth of the benefit to smaller financial institutions and the communities they serve.

VI. Liquidity, Stress Testing, and Monetization

a. Allow IDI Subsidiaries to Use IDI's Stress Testing and Liquidity Standards

The KBA supports efforts to require PPSIs to demonstrate the operational capability to access and monetize their reserve assets commensurate with their risk profile and business model. IDI sub PPSIs should be deemed to satisfy these requirements by virtue of their existing regulatory framework. Large parent IDIs are already required to demonstrate through Liquidity Coverage Ratios, Net Stable Funding Ratios, and intraday liquidity stress testing, the ability to monetize liquid assets under stress, and those requirements are regularly examined by federal banking regulators. Smaller IDIs are typically required to test lines and demonstrate monetization as part of their Contingency Funding Plans. Imposing a parallel obligation on subsidiary PPSIs would require proving what the parent IDI's supervisory record already establishes.

b. Consistency is Key

The OCC should take steps to ensure that liquidity, stress testing, and monetization requirements are consistent across regulatory agencies so that non-bank issuers are required to maintain the same standards as national banks, federal savings associations, and their subsidiaries.

VII. Capital, Risk Management, and Consumer Protection

a. Capital

The KBA believes that the proposed individualized, examination-driven capital approach is inadequate for a product with systemic potential. It recommends standardized, transparent capital requirements, including a minimum Tier 1 leverage ratio for nonbank PPSIs, limits on capital opt-ins for non-financial institution (or subsidiary) entities engaged in stablecoin issuance, and strengthened operational backstop requirements funded by equity, not debt.

b. Risk Management

As for risk management, the KBA supports baseline risk management standards across all PPSIs, with tailoring that takes into account the regulatory requirements to which the PPSI or its parent is already subjected. For example, IDI subsidiaries should be able to leverage parent enterprise risk-management systems where appropriate.

c. Consumer Protection

Consumer protections and disclosures surrounding stablecoins as a store of value and payment system are of the utmost importance to the KBA. Consumer confidence is essential to the long-term viability of payment stablecoins and that confidence can only be earned through explicit incorporation of consumer protection standards in PPSI licensing and supervision. Additionally, rules and guidance on stablecoin should be consistent among the regulators and disclosures should be standardized.

Consistent, effective rules should be adopted that regulate how issuers advertise stablecoins. These rules should also clarify that stablecoins are not the same as funds held in a bank deposit account, nor are stablecoins the same as other cryptocurrency offerings in the marketplace.

Finally, regulators should draft consumer protections for stablecoins that are not just a duplication of protections that are applicable to other payment systems, such as electronic transactions under the Electronic Funds Transfer Act (CFPB Regulation E). For example, the very nature of stablecoins will make it impossible for financial institutions to monitor and investigate for errors and unauthorized transactions, and therefore, unlike with Regulation E, financial institution issuers should not be required to take responsibility for resolving these consumer claims.

In conclusion, the KBA appreciates the opportunity to comment on the OCC's proposed rulemaking on payment stablecoin issuance. The KBA believes banks are uniquely positioned to serve as trusted, well-regulated stablecoin issuers and custodians, and a clear, workable regulatory framework is essential to ensuring that bank-affiliated issuers can compete with non-bank entrants while upholding the safety, soundness, and consumer protection standards that define the federal banking system. The proposed rule represents a significant step toward that framework.

If you have any questions regarding this comment letter, please contact Terri D. Thomas, JD, EVP-General Counsel via email at tthomas@ksbankers.com or by phone at 785.232.3444.

Respectfully,

Douglas E. Wareham, President & CEO
Kansas Bankers Association

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