June 26, 2025

To: The Honorable Members
U.S. House of Representatives
Washington, DC 20515

Subject:
<u>Technical Amendment Recommendation</u>
<u>on the Definition of “Payment Stablecoin” in S.1582 (GENIUS Act)</u>

Dear Chairman and Honorable Members,

On behalf of the *Federal Money Services Business Association* (FedMSB), representing a broad spectrum of licensed money services businesses nationwide, we respectfully submit this technical comment regarding the statutory definition of “payment stablecoin” as articulated in S.1582, the GENIUS Act.

Background and Current Definition

The GENIUS Act currently defines a “*<u>payment stablecoin</u>*” as “*<u>a digital asset that is, or is designed to be, used as a means of payment or settlement.</u>*” While the intent is to clearly delineate stablecoins functioning as payment mechanisms, the choice of the term “***digital asset***” introduces significant legal and regulatory ambiguities.

Analysis of the Current Language

- **Broadness and Ambiguity**: The term “digital asset” is expansive and not uniformly defined across federal statutes and regulatory frameworks. It includes a variety of tokens and instruments that may have fundamentally different legal statuses, including investment tokens, securities, commodities, and non-fungible tokens (NFTs).

- **Regulatory Overlap and Risk**: This broad classification risks conflating payment instruments with speculative or investment instruments, potentially subjecting legitimate stablecoin issuers to securities laws, commodities laws, or money transmission regulations beyond what is intended.

- **Legal Uncertainty**: Market participants, regulators, and consumers may face uncertainty regarding the precise legal status of payment stablecoins, which can inhibit innovation, investment, and consumer adoption.

The Case for Revising to "Digital Payment Instrument"

We propose refining the definition to "*a digital payment instrument*", a term that is both technically and legally more precise within the payments ecosystem:

- **Clarity of Function**: This term highlights the core intended use of payment stablecoins—as instruments for payment or settlement—distinguishing them from investment or speculative digital assets.

- **Regulatory Consistency**: Aligning with established legal concepts of payment instruments (e.g., negotiable instruments, money orders), it facilitates a more coherent regulatory framework focused on consumer protection, anti-money laundering compliance, and systemic safety.

- **Market Confidence and Innovation**: Clear legal definitions promote greater certainty for issuers and users, fostering responsible innovation and broader adoption.

Considerations and Counterpoints

- Some may argue that the existing broader term allows flexibility to accommodate emerging digital assets with hybrid characteristics. However, such flexibility risks legal uncertainty and fragmented regulatory treatment, which can deter market development and complicate enforcement.

- Conversely, overly narrow definitions could inadvertently exclude legitimate new instruments. We emphasize that the proposed revision is not a limitation on innovation but a technical refinement to better categorize instruments with clear payment functionality.

Benefits of the Proposed Amendment

- Reduces ambiguity in the classification and regulation of payment stablecoins.
- Enhances regulatory coordination by delineating payment stablecoins from other digital assets subject to securities or commodities laws.
- Improves consumer protection through clear legal frameworks tailored to payment instruments.
- Supports market stability and innovation by providing certainty and reducing litigation risks.

Risks of Maintaining the Current Definition

- Potential for regulatory overlap and conflicting interpretations among agencies (SEC, CFTC, FinCEN, banking regulators).
- Increased legal and compliance costs for issuers and intermediaries.
- Discouragement of responsible innovation due to regulatory uncertainty.
- Greater risks of misclassification and enforcement actions that may harm consumers and market integrity.

Conclusion

The Federal Money Services Business Association respectfully urges the Committee to consider this technical amendment to the definition of "payment stablecoin" in S.1582. This adjustment, though subtle, is foundational to ensuring the legislation effectively supports innovation while maintaining regulatory clarity and consumer protection.

We remain available to provide further technical assistance or testimony as needed.

Respectfully submitted,

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