

Via Electronic Submission on *Regulations.gov*

December 08, 2025

PETITION FOR REGULATORY ACTION

Before the **U.S. Department of the Treasury**, the **Board of Governors of the Federal Reserve System**, the **Office of the Comptroller of the Currency**, the **Federal Deposit Insurance Corporation**, and the **National Credit Union Administration**

Submitted by the **Stablecoin Standards Authority (SSA)**

I. PARTIES AND CAPTION

This petition is submitted by the **Stablecoin Standards Authority (SSA)**, an independent standards platform within the **Federal Money Services Business Association (FedMSB)** dedicated to strengthening the reliability, governance, and transparency of U.S. dollar-denominated stablecoins. SSA represents licensed money services businesses (MSBs), and digital payment providers operating across the United States.

SSA submits this petition to:

- the **U.S. Department of the Treasury**, including the **Financial Crimes Enforcement Network (FinCEN)**;
- the **Board of Governors of the Federal Reserve System** (the “**Federal Reserve**”);
- the **Office of the Comptroller of the Currency** (“**OCC**”);
- the **Federal Deposit Insurance Corporation** (“**FDIC**”); and
- the **National Credit Union Administration** (“**NCUA**”);

(collectively, the “**prudential and financial integrity authorities**”).

This petition is made pursuant to the **Administrative Procedure Act**, 5 U.S.C. § 553(e), the **Bank Secrecy Act** (BSA), the **GENIUS Act**, and other applicable statutes delegating regulatory and supervisory authority to the above-named agencies.

II. INTRODUCTION AND EXECUTIVE SUMMARY

The **GENIUS Act** has now been enacted as federal law. It establishes a comprehensive framework for **payment stablecoin issuers**, including capital, liquidity, reserve-asset, diversification, and governance standards, and limits the universe of entities that may lawfully issue dollar-referenced payment stablecoins to **permitted payment stablecoin issuers** and properly **registered foreign issuers** (together, “**GENIUS-compliant issuers**”).

In its white paper “**U.S. National Digital Currency Sovereignty Centennial Strategy**,” FedMSB has articulated a broader strategic doctrine for digital-finance era sovereignty: **CIFB—Clearing Illegal Financial Black Markets**. As that paper explains:

“To legitimate and globalize this doctrine, we introduce CIFB—Clearing Illegal Financial Black Markets—as the strategic banner for international alignment and domestic enforcement. CIFB is to digital finance what counterterrorism was to post-9/11 geopolitics: a moral, strategic, and operational doctrine. This is not about suppressing innovation—it is about removing the underworld reefs on which lawful innovation may run aground.”

This petition applies that doctrine to a defined regulatory and market context. It focuses not on constraining lawful stablecoin innovation, but on identifying and addressing **illegal financial black-market structures** that may undermine both **digital-dollar sovereignty** and **compliant innovation**.

In recent testimony before the House Committee on Financial Services at the hearing titled “**Oversight of Prudential Regulators**,” the prudential and financial integrity authorities indicated that they are coordinating implementation of the GENIUS Act, including the development of capital, liquidity, diversification, application, and prudential standards for payment stablecoin activities, and that they aim to provide clearer supervisory expectations for banks, credit unions, and authorized nonbank issuers engaged in responsible innovation.

At the same time, recent Executive and regulatory actions have emphasized that:

- supervisory resources should be **refocused away from purely procedural criticisms** and toward **core, material financial risks**;
- banking organizations should be **empowered to compete effectively with nonbank firms**, including in payments and digital assets, within a clear regulatory perimeter; and
- federal banking regulators should not rely on vague **“reputational risk”** concepts to justify politicized or arbitrary **“debanking,”** but instead must ground decisions in **individualized, objective, risk-based analyses**.

SSA supports these principles. However, their practical implementation is difficult to reconcile with continued regulatory inaction toward **large, offshore, U.S. dollar-referenced stablecoin arrangements**—and in particular, the stablecoin known as **USDT** and its related issuing entities (collectively, the **“USDT Issuer”**)—that:

- function as **de facto dollar-linked shadow banking instruments** at a scale that is material relative to segments of the domestic banking and money market landscape;
- are not presently operating within the GENIUS Act’s framework for **GENIUS-compliant issuers**; and
- rely on **U.S. dollar branding, U.S. dollar assets, and U.S.-facing intermediaries** while remaining largely outside enforceable U.S. prudential and financial-integrity oversight.

The core premise of this petition is straightforward:

No private issuer should be permitted to operate a globally circulating, dollar-branded quasi-bank—holding large pools of dollar-denominated assets, promising par-value redemption, and intermediating cross-border flows—outside meaningful U.S. prudential supervision and BSA/AML and sanctions oversight.

In CIFB terms, such an arrangement constitutes a shadow **“dollar underworld”** structure: a monetary layer built on U.S. assets and reputation but operating beyond U.S. standards and accountability. Addressing such structures is relevant to both financial stability and financial-integrity objectives and to the credibility of a coherent U.S. regulatory perimeter for payment stablecoins.

This petition further identifies a structural implementation gap in the GENIUS perimeter: the absence of a federally standardized requirement to identify and supervise the **settlement-layer nodes** that validate, sequence, settle, or route payment stablecoin

transactions. Without **On-chain Node KYC** (as defined below), even a well-licensed issuer regime risks being undermined by an anonymous, unaccountable settlement infrastructure that can be leveraged by illicit-finance actors and used to route value outside effective supervisory sightlines.

SSA therefore respectfully petitions the prudential and financial integrity authorities to:

1. **Align GENIUS Act implementation, prudential standards, and BSA/AML expectations** to ensure that all dollar-referenced stablecoin activities with a material nexus to the United States are either:
 - a. conducted by **GENIUS-compliant issuers** operating under enforceable standards; or
 - b. explicitly treated as **high-risk, non-permitted activities** for purposes of supervisory expectations and risk management.
2. **Subject the USDT Issuer to a coordinated, cross-border supervisory and investigative review**, focusing on reserves, governance, financial-integrity controls, and spillover channels into U.S. markets.
3. **Issue coordinated guidance and advisories** that:
 - a. require U.S. financial institutions to treat dealings in USDT and similarly situated **large, offshore, U.S. dollar-referenced stablecoin arrangements** as **high-risk exposures**; and
 - b. clarify the conditions under which such relationships can be maintained, scaled back, or exited consistent with GENIUS, the BSA, and other applicable law.
4. **Maintain a public, interagency registry of licensed and approved payment stablecoin issuers**, enabling market participants and the public to distinguish clearly between **GENIUS-compliant issuers** and unregulated or unauthorized providers.
5. **Initiate targeted rulemaking to establish On-chain Node KYC and a federally administered Node Registry** for payment stablecoin settlement infrastructure, ensuring that the GENIUS framework extends beyond issuer-level licensing to the **core transactional rails** on which payment stablecoins depend.

This petition does not seek to politicize access to financial services or to suppress lawful innovation in stablecoins or digital payments. It is intended to support a safe, credible, and competitive U.S. stablecoin ecosystem in which:

- regulated banks, credit unions, and **GENIUS-compliant issuers** can innovate confidently within clear rules;

- large, offshore, U.S. dollar–referenced stablecoin arrangements cannot continue to intermediate global dollar flows while free-riding on the U.S. financial system’s trust and infrastructure; and
- payment stablecoin settlement layers do not evolve into **unregulated, anonymous clearing networks** that function as the operational substrate of illegal financial black markets that CIFB is designed to clear.

III. REGULATORY AND MARKET BACKGROUND

A. Statutory Framework: GENIUS Act, BSA, and Related Authorities

The **GENIUS Act** establishes a federal regime for **payment stablecoins** that:

- limits issuance to a defined set of **permitted payment stablecoin issuers**, including:
 - insured depository institution subsidiaries,
 - OCC-licensed nonbank payment stablecoin issuers, and
 - qualifying state-regulated issuers below defined size thresholds, subject to enhanced requirements as they grow;
- provides for **registered foreign issuers** whose home-country regulatory regime is deemed comparable, and who agree to specified conditions and U.S. oversight;
- requires payment stablecoins to be backed by **high-quality, liquid assets**—primarily cash and short-term U.S. Treasury obligations—with strict limits on other investments;
- mandates **1:1 backing**, robust governance, operational resilience, and standardized disclosures; and
- prohibits the payment of **interest or yield** by payment stablecoin issuers.

In parallel, the **Bank Secrecy Act** and related statutes, as implemented by Treasury and FinCEN, provide broad authority to:

- define and regulate money transmitters, administrators, and other financial institutions engaged in virtual asset and stablecoin activities;
- impose programmatic BSA/AML and sanctions-compliance obligations; and
- designate instruments, channels, or jurisdictions as **high-risk** for purposes of enhanced due diligence, monitoring, and reporting.

Other federal law empowers the prudential and financial integrity authorities to set **capital, liquidity, concentration, and risk-management standards** for institutions under their supervision, including with respect to exposures to nonbank counterparties and off-balance sheet arrangements.

The GENIUS Act’s issuer-centered framework presupposes that payment stablecoins will operate on settlement infrastructures capable of supporting effective federal oversight. To fulfill Congressional intent, that presupposition requires operational measures that prevent payment stablecoin settlement layers from becoming anonymous, extraterritorial compliance vacuums.

B. Recent Testimony and Rulemaking Commitments under the GENIUS Act

At the recent “**Oversight of Prudential Regulators**” hearing, the prudential and financial integrity authorities indicated that they are implementing the GENIUS Act within the Act’s prescribed timelines and working to provide the market with needed clarity on the regulatory treatment of stablecoin activities across banks, credit unions, and authorized nonbank issuers.

These GENIUS-related efforts occur alongside broader supervisory reforms, including:

- interagency proposals to define “**unsafe or unsound practices**” and to distinguish clearly between serious deficiencies and non-binding “observations” in examinations;
- reforms to **CAMELS ratings**, supervisory cycles, and documentation expectations, particularly for community institutions;
- proposed changes to the **enhanced Supplementary Leverage Ratio (eSLR)** and the **Community Bank Leverage Ratio (CBLR)**; and
- proposals to curtail the use of “**reputational risk**” as a basis for supervisory pressure to terminate relationships with lawful businesses.

Collectively, these steps signal a shift toward a regulatory architecture that aims to:

- reduce **process-driven burdens** on lower-risk, well-run institutions;
- provide **regulatory clarity** for banks and credit unions engaging in digital asset and payments innovation; and
- focus supervisory attention on **genuinely material financial, operational, and financial-integrity risks**.

A parallel focus on settlement-layer accountability is consistent with these stated priorities. **On-chain Node KYC** is framed as an infrastructure-level, risk-targeted measure rather than a generalized documentation burden.

C. Market Structure and Systemic Footprint of Dollar-Referenced Stablecoins

Within this evolving framework, U.S. dollar-referenced stablecoins have already attained **significant macro-financial scale**:

- aggregate dollar stablecoin market capitalization is in the **hundreds of billions of dollars**;
- a small number of stablecoins—principally **USDT** and a handful of U.S.-regulated products—account for the overwhelming majority of circulating supply and transaction volume; and
- major stablecoin issuers collectively hold **large quantities of U.S. Treasury bills and other short-term instruments**, making them non-trivial participants in the market for U.S. government securities.

In this landscape, **USDT** is uniquely consequential:

- it is the largest U.S. dollar-referenced stablecoin by market capitalization and circulation;
- it is deeply embedded in centralized exchanges, DeFi protocols, and cross-border payment and remittance channels, particularly in higher-risk jurisdictions;
- it is reportedly backed in material part by U.S. dollar assets, including short-term U.S. Treasuries, alongside other riskier or less transparent instruments; and
- it is operated through a complex, offshore corporate structure, with limited ongoing transparency and accountability to U.S. prudential authorities.

Independent risk assessments have raised concerns about reserve composition and quality, the frequency and rigor of attestations or audits, the legal segregation of reserve assets, and the ability to support orderly redemptions under stress.

Public-sector and international bodies—including the **FSOC**, **FSB**, and **IMF**—have repeatedly warned that **global stablecoin arrangements** can amplify run risks, create new interconnections with highly leveraged crypto markets, and complicate U.S. dollar funding conditions under stress.

From a CIFB perspective, these arrangements can provide infrastructure for illegal financial black markets when operated without adequate transparency, governance, and regulatory alignment—**especially when the settlement layer itself can be operated anonymously at scale.**

IV. RISKS AND REGULATORY GAPS

A. Shadow Banking, Maturity Transformation, and Market Liquidity

USDT and similarly situated **large, offshore, U.S. dollar–referenced stablecoin arrangements** function economically as short-term, demandable claims on a pool of dollar-denominated assets. End-users often treat them as near-cash without standardized and continuous insight into underlying asset composition, duration, or credit risk.

Where reserves extend meaningfully beyond cash and short-term government securities, where disclosure remains episodic or non-standardized, or where custody, segregation, and redemption arrangements are unclear, the stablecoin effectively performs maturity and liquidity transformation akin to a money market fund or deposit-like instrument—without corresponding prudential standards.

In the case of USDT, the combination of scale, concentration across chains and venues, and partial reliance on U.S. Treasuries and short-term instruments creates a realistic possibility that destabilizing redemption waves or forced reserve liquidations could transmit stress into money and capital markets, particularly under broader financial strain.

B. Illicit Finance and Sanctions Exposure

Public enforcement actions, investigative reporting, and on-chain analytics have documented the use of USDT and other dollar stablecoins in unlicensed cross-border transfers, sanctions evasion, fraud and scams, darknet markets, and terrorist financing and organized crime.

The USDT Issuer has at times cooperated with law enforcement by freezing addresses or responding to subpoenas. Such actions are relevant. However, the underlying pattern of use, combined with the opacity and extra-territorial structure of the issuing arrangement, supports treating USDT as a high-priority instrument for targeted AML/CFT and sanctions risk mitigation.

C. Regulatory Arbitrage and Competitive Distortion

Under GENIUS, **GENIUS-compliant issuers** will be subject to stringent reserve, capital, and liquidity requirements; robust governance, risk-management, and disclosure standards; and ongoing prudential and BSA/AML supervision.

If large offshore issuers maintain extensive relationships with U.S. banks, broker-dealers, and payment firms while relying heavily on U.S. dollar assets and infrastructure, the result is regulatory arbitrage. This arbitrage distorts competition, undermines confidence in the GENIUS perimeter, and exposes U.S. financial stability and national security to risks GENIUS was designed to address.

D. International and Cross-Border Considerations

USDT's footprint is intrinsically cross-border. Addressing its risks will require coordination among the prudential and financial integrity authorities, Treasury, and foreign authorities; data sharing and, where necessary, joint or parallel examinations; and alignment with emerging international standards.

The offshore corporate form of the USDT Issuer does not negate its U.S. nexus. To the extent that reserves include substantial U.S. dollar assets, tokens are widely used by U.S. persons or intermediated through U.S.-regulated entities, or operations materially affect U.S. dollar funding markets, U.S. authorities must consider appropriate responses under their existing mandates.

E. Settlement-Layer Anonymity as a Structural GENIUS Implementation Gap

Even with robust issuer licensing, payment stablecoins cannot reliably satisfy GENIUS's prudential and financial-integrity objectives if the settlement layer remains a permissionless, anonymous clearing network for large-scale dollar-referenced payment activity.

Absent **On-chain Node KYC**:

- regulators lack continuous infrastructure-level visibility into who controls the transaction rails;
- illicit-finance actors can embed themselves into validation, sequencing, settlement, and cross-chain routing;

- compliance obligations become fragmented and inconsistently assigned; and
- transaction-level risk attribution cannot be reliably evaluated or priced.

A GENIUS framework that leaves node identity unaddressed risks creating a two-tier system: licensed issuers operating atop an anonymous underlayer that can be captured by the very black-market structures CIBF is designed to clear.

V. REQUESTED ACTIONS

SSA respectfully requests that the prudential and financial integrity authorities take the following coordinated actions.

1. Jointly Affirm the Scope and Application of GENIUS and the BSA to Dollar-Referenced Stablecoins

The agencies should issue coordinated statements or rulemakings making clear that:

- any arrangement that issues, redeems, or administers U.S. dollar-referenced payment stablecoins for U.S. persons, or that relies materially on U.S. financial institutions and infrastructure, falls within the regulatory perimeter defined by GENIUS and the BSA;
- activities that meet the functional definition of a payment stablecoin but are not conducted by **GENIUS-compliant issuers** will be treated as non-permitted and, where applicable, may constitute violations of law; and
- U.S. financial institutions providing critical services to such non-permitted arrangements must treat these relationships as high-risk and subject to heightened supervisory scrutiny.

2. Reflect These Principles in GENIUS Implementation Rules

In their forthcoming GENIUS implementation rules, the prudential and financial integrity authorities and Treasury should:

- specify the criteria for **GENIUS-compliant issuers**, including expectations regarding reserve asset quality and concentration, diversification and maturity, governance and operational resilience, and information-sharing with U.S. authorities;

- address how U.S. institutions should treat exposures to non-permitted stablecoin issuers, including capital treatment, liquidity and funding risk management, and limitations on certain services or activities; and
- provide a transparent transition framework for non-permitted stablecoin arrangements with substantial U.S. nexus, including time-bounded paths to register under comparable regimes or to wind down U.S.-facing activities in an orderly manner.

3. Conduct a Coordinated Review of the USDT Issuer

Treasury, FinCEN, and the prudential and financial integrity authorities should, in cooperation with relevant foreign counterparts, undertake a targeted, cross-border review of the **USDT Issuer** focusing on:

- reserve adequacy and composition;
- the design, implementation, and independent testing of BSA/AML and sanctions controls;
- the robustness and credibility of attestations or audits; and
- potential contagion channels into U.S. and global markets under stress scenarios.

The results should inform risk-based supervisory expectations for U.S. institutions interacting with USDT, any enforcement or remedial actions deemed warranted, and the design of GENIUS implementation rules to prevent similar risk profiles from arising outside the regulatory perimeter.

4. Issue a FinCEN Advisory and Interagency Guidance Treating USDT as a High-Risk Instrument

FinCEN, in consultation with the prudential and financial integrity authorities, should issue an advisory or similar guidance that:

- identifies USDT (and other similarly situated large, offshore, U.S. dollar-referenced stablecoin arrangements) as high-risk instruments for AML/CFT and sanctions purposes;
- requires U.S. financial institutions to adopt enhanced due diligence and tailored monitoring; and
- encourages risk-based decisions—up to and including limitations or exits—where institutions determine that they cannot adequately mitigate the risks.

Interagency guidance should clarify that such measures are not politicized “debanking,” but the risk-based application of GENIUS, the BSA, and safety-and-soundness principles to documented, material risk profiles, consistent with CIBF’s objective of clearing illegal financial black markets rather than constraining lawful innovation.

5. Maintain a Public, Interagency Registry of Licensed and Approved Payment Stablecoin Issuers

The agencies should jointly maintain and regularly update a public registry that:

- lists all **GENIUS-compliant issuers**, along with their primary regulator(s), key licensing or charter information, and the payment stablecoins they are authorized to issue;
- indicates entities that have been denied, revoked, or subject to enforcement action in connection with payment stablecoin activities; and
- provides links to relevant supervisory and enforcement documents where public.

The registry should be strictly limited to licensing and authorization status and should not attempt to rank issuers by “quality” or “worthiness.”

6. Establish On-chain Node KYC and a Federally Administered Node Registry

To ensure that payment stablecoins operate within a settlement infrastructure that is regulated, identifiable, and subject to continuous supervisory visibility, FinCEN and Treasury should initiate rulemaking requiring **On-chain Node KYC** for nodes participating in payment stablecoin settlement, validation, sequencing, or cross-chain routing with a material U.S. nexus.

Such rulemaking should:

- require that node operators be legally identifiable entities subject to full KYC/AML obligations;
- establish a **federally administered Node Registry**—administered by Treasury or a designated entity—to bind each operator’s legal identity to on-chain public keys;
- provide regulators with real-time supervisory visibility into settlement infrastructure; and
- authorize suspension or revocation of non-compliant nodes through enforceable administrative action.

The Registry should function through a dual mechanism: **off-chain licensing paired with on-chain cryptographic attestation.**

VI. SYSTEMIC AND PUBLIC INTEREST CONSIDERATIONS

From SSA's perspective as an industry standards body, the status quo presents a troubling asymmetry:

- U.S.-regulated MSBs, banks, and credit unions face rising expectations under GENIUS, the BSA, and prudential standards;
- Meanwhile, a single offshore issuer operates what is, in substance, a global dollar-linked shadow banking pool at substantial scale, with incomplete transparency and limited direct U.S. oversight.

This asymmetry has implications for U.S. financial stability, the credibility of the GENIUS regulatory perimeter, and U.S. national security and sanctions objectives.

A second asymmetry is equally relevant to effective implementation. A rigorous issuer regime cannot be fully effective if the settlement layer remains an anonymous, unregulated infrastructure. Without node-level identity binding and supervisory visibility, payment stablecoins may migrate into underworld clearing networks even where issuer licensing is formally compliant.

Addressing both issuer-level arbitrage and settlement-layer anonymity would strengthen the credibility and effectiveness of GENIUS implementation, reduce the risk of disruptive runs and cross-market spillovers, and improve the operational environment for compliant issuers and related digital-dollar products.

VII. SSA'S POSITION, CIFB DOCTRINE, AND COMMITMENT

SSA is not a regulator and does not seek regulatory or enforcement authority. Its mandate is to:

- develop evidence-based technical, governance, and disclosure standards for stablecoins and digital payments;
- promote interoperability, transparency, and integrity in the emerging digital-dollar ecosystem; and
- serve as a neutral forum through which licensed MSBs, financial institutions, technologists, and academics can collaborate on best practices and voluntary certifications.

In its sponsorship of SSA, FedMSB has set out **CIFB—Clearing Illegal Financial Black Markets** as a long-horizon doctrine for digital-currency sovereignty. This petition applies CIFB in two mutually reinforcing directions:

1. **Issuer-level clearance:** addressing large, offshore, U.S. dollar–referenced stablecoin arrangements with substantial U.S. nexus that function as shadow monetary layers outside GENIUS and BSA expectations; and
2. **Infrastructure-level clearance:** establishing **On-chain Node KYC** to reduce the risk that settlement-layer anonymity becomes the operational backbone of illegal financial black markets.

SSA stands ready to assist the prudential and financial integrity authorities by providing data, technical analyses, and model standards relevant to stablecoin reserves, governance, and financial-integrity controls; convening industry and expert working groups to inform rulemaking and supervisory guidance; and developing voluntary certification frameworks that complement—but do not replace—formal licensing and supervisory regimes.

VIII. CONCLUSION

The United States has now taken a historic step by enacting the GENIUS Act and committing, at the highest regulatory levels, to a coherent federal framework for payment stablecoins. That framework will be most effective if applied consistently and credibly—not only to new bank-issued or domestically chartered products, but also to existing, systemically significant **large, offshore, U.S. dollar–referenced stablecoin arrangements** that operate outside the current perimeter.

USDT is the most prominent such arrangement. Allowing it to remain in a regulatory blind spot is difficult to reconcile with the objectives of GENIUS, the BSA, and the

prudential and financial integrity authorities' risk-focused supervisory commitments. It is also inconsistent with CIFB's objective of clearing illegal financial black markets so that lawful innovation can proceed on more resilient foundations.

Equally, GENIUS implementation will remain structurally incomplete without settlement-layer accountability. A payment stablecoin regime that does not identify and supervise the nodes that validate, sequence, settle, and route transactions risks recreating the anonymous, unregulated networks that statutory safeguards were designed to prevent.

For these reasons, the **Stablecoin Standards Authority (SSA)** respectfully petitions the U.S. Department of the Treasury, the Federal Reserve, the OCC, the FDIC, and the NCUA to:

- implement the requested actions described above;
- initiate rulemaking to establish **On-chain Node KYC** and a **federally administered Node Registry** for payment stablecoin settlement infrastructure;
- establish transparent processes for public consultation and ongoing review; and
- ensure that the digital representation of the U.S. dollar—whether through payment stablecoins or tokenized deposits—rests on a foundation of prudential soundness, financial integrity, public trust, and a sustained commitment to **Clearing Illegal Financial Black Markets (CIFB)**.

IX. Certification

The undersigned Member of the SSA Steering Board certifies that, to the best of the undersigned's knowledge and belief, this petition includes all information and views on which the petition relies, and that it includes representative data and information known to the petitioners that are unfavorable to the petition.

Respectfully submitted,



Peter Tang

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Appendix A is enclosed.

APPENDIX A:

RULEMAKING PETITION—ON-CHAIN NODE KYC

Section 1: Necessity of On-chain Node KYC within the GENIUS Act Payment Stablecoin Framework

Under the GENIUS Act, payment stablecoins must operate within a settlement infrastructure that is regulated, identifiable, and subject to continuous supervisory visibility. Absent **On-chain Node KYC** (as defined in Section 5), the settlement layer remains exposed to:

- anonymity-driven avoidance of supervisory oversight;
- infiltration by illicit-finance actors;
- inability to attribute, evaluate, or price transaction-level risk; and
- fragmented and inconsistent allocation of compliance obligations.

To achieve the statutory purpose of the GENIUS Act and fulfill the Bank Secrecy Act's core requirements, FinCEN must require that nodes participating in payment stablecoin processing with a material U.S. nexus be operated by registered entities subject to full KYC/AML obligations under the On-chain Node KYC standard.

Section 2: Proposal for a Federally Administered Node Registry

This petition proposes the creation of a **federally administered Node Registry**, administered by Treasury or a designated entity, to operationalize the On-chain Node KYC framework by:

1. maintaining verified identification of settlement-layer node operators;
2. binding each operator's legal identity to its on-chain public keys;
3. providing regulators with real-time supervisory visibility into settlement infrastructure; and
4. revoking or suspending non-compliant nodes through enforceable administrative action.

The Registry should function through a dual mechanism: **off-chain licensing paired with on-chain cryptographic attestation.**

Section 3: Required Rulemaking Authority

The proposed requirements fall squarely within existing authority, including:

- FinCEN’s BSA authority to regulate money-transmission infrastructure and impose customer-identification obligations;
- Treasury’s GENIUS Act mandate to ensure the safety, soundness, and compliance of payment stablecoin operations; and
- APA § 553, which governs the establishment of new federal registration and reporting frameworks.

This rulemaking is therefore not only permissible but necessary to meet Congressional directives.

Section 4: Implementation Standards for On-chain Node KYC

The petition recommends that FinCEN establish uniform On-chain Node KYC standards requiring:

- mandatory KYC onboarding for node operators;
- annual review and renewal of node-operator status;
- cryptographically verifiable on-chain attestation linking operators to node keys;
- a supervisory API access layer enabling real-time regulatory monitoring; and
- immediate revocation procedures upon detection of illicit activity or non-compliance.

These standards are essential to prevent payment stablecoins from developing into **unregulated, anonymous clearing networks**, a structure fundamentally incompatible with Congressional intent and the GENIUS Act’s statutory safeguards.

Section 5: Definitions

For purposes of this petition, the following terms shall have the meanings specified below:

1. “On-chain Node KYC”

A compliance framework whereby each node participating in the settlement, validation, sequencing, or cross-chain routing of **GENIUS-defined payment stablecoin transactions**

with a material U.S. nexus is cryptographically linked to a legally recognized entity. This ensures that:

- a. the node operator’s legal identity is verified according to KYC/AML standards;
- b. the node’s public key(s) on the blockchain are bound to that verified identity;
- c. the identity binding is recorded in an on-chain registry (the Node Registry) to allow real-time supervisory access; and
- d. compliance status—including license validity and revocation—can be cryptographically attested on-chain.

2. “Node”

Any computing entity responsible for validating, sequencing, settling, or routing payment stablecoin transactions on a distributed ledger, including but not limited to validators, sequencers, settlement nodes, and cross-chain bridge nodes.

3. “Node Registry”

A federally administered registry that records verified node operator identities and their associated on-chain public keys, maintains applicable status information, and provides regulatory access for monitoring and enforcement purposes.

4. “Node Operator”

The legal entity controlling a node and responsible for compliance with KYC/AML obligations, including any associated reporting and operational requirements mandated by the Node Registry.

5. “On-chain Attestation”

A cryptographic record linking a node’s public key to its verified legal entity identity, allowing verification of compliance by regulators or other authorized parties without revealing unnecessary private information.

6. “Payment Stablecoin”

Any digital asset issued under the GENIUS Act framework that is designed to maintain a stable value, is used for payment transactions, and whose settlement layer is subject to federal oversight.

Section 6: Originality Statement

This petition formally clarifies that the concept and terminology of **“On-chain Node KYC”** are originally proposed and defined by us. Prior to this submission, no U.S. regulatory, academic, or industry framework has articulated node-level identity binding within a payment stablecoin settlement layer as a distinct compliance obligation under this term.

— End