

## **FACT SHEET: The GENIUS Act Bolsters National Security**

### **The GENIUS Act enhances national security by regulating and registering stablecoin issuers:**

- The GENIUS Act imposes important requirements on stablecoin issuers that strengthen national security and improve the Treasury Department's ability to monitor the sector.
- The bill builds on the Treasury Department's and Department of Justice's existing authorities to address illicit activity involving stablecoins, which in recent years have led to some of the largest cases and settlements in the Departments' history.
- The bill also bolsters the global strength of the U.S. dollar, increasing demand for U.S. Treasuries and expanding dollarization in a way that aligns with U.S. sanctions and law enforcement priorities. Without this legislation, firms are incentivized to move offshore, where they face weaker regulatory oversight.

### **Key National Security Provisions in the GENIUS Act:**

- **Payment Stablecoin Issuers as Financial Institutions** – By classifying payment stablecoin issuers as financial institutions under the Bank Secrecy Act, the GENIUS Act requires them to:
  - Maintain an effective AML and sanctions compliance program, including risk assessments, sanctions list verification, and appointment of a compliance officer.
  - Retain appropriate records of stablecoin transactions.
  - Monitor and report suspicious activity.
  - Implement policies to block, freeze, and reject transactions that violate federal or state laws.

- Establish a customer identification program, verifying account holders, high-value transactions, and conducting enhanced due diligence where necessary.
- **Compliance with Lawful Orders and Freezing Authority** – The GENIUS Act mandates that payment stablecoin issuers, including any foreign issuers listed on the secondary market, maintain the technical ability to freeze and burn wallets to ensure compliance with lawful orders. Issuers must:
  - Demonstrate technical capacity and coordinate with law enforcement as a condition of participating in U.S. secondary markets.
  - Adhere to Bank Secrecy Act requirements.
  - Comply with lawful orders.
  - If foreign issuers fail to comply with lawful orders, the Treasury Department is required to designate them as non-compliant.
    - This action restricts centralized digital asset service providers from facilitating their trading in the U.S.
- **Treasury's Coordination on Sanctions Enforcement** – The GENIUS Act strengthens the Treasury Department's ability to coordinate sanctions enforcement.
  - The legislation requires the Treasury Secretary, where possible, to coordinate with a permitted payment stablecoin issuer before blocking transactions involving foreign entities to ensure compliance.