

Navigating the New Stablecoin Regulatory Framework:

The GENIUS Act and what it means for Community Banks





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Executive Summary

The GENIUS Act represents a defining moment for community banking, requiring institutions to become technology-enabled relationship banks that combine digital payment efficiency with personalized service and community development focus. Success will require decisive action within the implementation timeline while maintaining the community banking mission that defines institutional purpose and competitive differentiation.

Community banks have three primary strategic pathways: ① direct stablecoin issuance, ② partnership models with authorized issuers or consortium members, and ③ opportunistic positioning strategies focused on enhancing traditional banking services. Each pathway presents distinct advantages and challenges. Direct issuance requires significant regulatory approval processes and operational investment but provides comprehensive market participation and potentially longer-term benefits depending on the bank's business. Partnership models offer lower-risk entry points while preserving flexibility for future expansion and growth as markets mature. Opportunistic strategies emphasize strengthening traditional banking advantages through enhanced digital services, customer relationship management and payments innovation that leverages existing banking and payment infrastructures to provide services similar to what stablecoins enable.

Deposit disintermediation represents the most significant systemic concern, as stablecoin adoption could potentially reduce traditional bank deposits that fund community bank lending activities. The Independent Community Bankers of America (ICBA) has emphasized this risk throughout the legislative process.¹ The final legislation includes protective measures, but banks should actively implement customer retention strategies, enhance digital service capabilities, and develop comprehensive value propositions that differentiate traditional banking relationships from stablecoin alternatives to mitigate the risk.

With only 16 months until the January 2027 effective date, which could come much sooner, community banks face a short timeline for strategic decision-making. Banks should begin market feasibility assessments (Is there a market for this within their operating areas and customer segments), regulatory discussions (e.g. reserve requirements), and technology partnership evaluations (assuming that it is needed, including assessments of blockchain integration, custody solutions, etc.) as soon as possible. Local market characteristics significantly influence both opportunity potential and risk exposure, requiring institution-specific analysis of customer demographics, competitive environments, and customer composition (both business and consumer).

Community banks that successfully balance innovation adoption with preservation of relationship banking advantages will strengthen their competitive positioning. Those that fail to appropriately adapt risk losing market relevance as customer expectations evolve and new competitors enter traditional banking markets.

For community banks, the strategic imperative is clear: develop a comprehensive understanding of the regulatory framework, assess market opportunities within their footprint, and make informed decisions about the level of participation they should engage in before the January 2027 effective date. Institutions that proactively plan their approach will be best positioned to capitalize on new opportunities while protecting their traditional deposit base and community lending business.

Introduction to the GENIUS Act

Core Provisions of the GENIUS Act

The GENIUS Act establishes a comprehensive regulatory framework built on three foundational pillars: authorized issuer requirements, reserve backing standards, and consumer protection measures. Understanding these core provisions is essential for community banks assessing their strategic options under the new regulatory framework. For additional background on stablecoins, the current market ecosystem, and tokenized deposits, part one of this paper provides a comprehensive foundation.

Payment Stablecoin Definition

The Act defines payment stablecoins as digital assets recorded on cryptographically secured digital ledgers, designed for payment or settlement rather than investment, and redeemable for a stable, fixed amount of national currency. This definition specifically excludes securities, commodities, and national currencies themselves, creating clear boundaries for regulatory oversight. The Act also clearly excluded bank deposits from the definition of payment stablecoins.

Permitted Issuer Structure

The legislation establishes three pathways for authorized stablecoin issuance. First, subsidiaries of insured depository institutions may issue stablecoins after receiving approval from their appropriate federal banking agency. This pathway provides community banks with direct access to stablecoin issuance capabilities while leveraging existing regulatory relationships and compliance infrastructure.

Second, federal qualified payment stablecoin issuers include nonbank entities, uninsured national banks, and federal branches of foreign banks that receive approval from the

Office of the Comptroller of the Currency. This pathway opens stablecoin issuance to fintech companies and other non-bank financial services providers, creating new competitive dynamics in the payments landscape.

Third, state-qualified payment stablecoin issuers operate under state regulatory frameworks determined to be substantially similar to federal requirements. This dual regulatory approach provides flexibility for smaller issuers while maintaining consistent consumer protection standards.

Reserve Backing Requirements

The Act mandates that all payment stablecoins be backed by reserves on at least a one-to-one basis using approved assets including U.S. currency, Federal Reserve Bank deposits, insured deposits at banks and credit unions, short-dated Treasury securities, certain repurchase agreements, and approved money market funds. This requirement ensures stablecoin stability and redeemability while supporting demand for U.S. Treasury securities.

Consumer Protection Measures

The legislation includes robust consumer protection provisions, including monthly public disclosure of reserve compositions, annual audited financial statements for large issuers, prohibition on misleading marketing claims about government backing or FDIC insurance, and priority creditor status for stablecoin holders in issuer insolvency proceedings.

Definitions	Payment-focused digital assets, redeemable for currency, excluding securities and deposits
Permitted Issuers	Banks, approved nonbanks, or state-qualified entities
Reserve Requirements	Fully backed 1:1 with cash, Fed deposits, or Treasuries
Protections	Transparency, audits, no false claims, priority in insolvency



Regulatory Framework Overview

The GENIUS Act creates a sophisticated dual federal-state regulatory structure designed to provide appropriate oversight while enabling innovation and competition. The framework establishes clear roles for different regulatory agencies while maintaining flexibility for issuers to choose their preferred supervisory approach, subject to certain limitations.

Federal Regulatory Authority

At the federal level, the Office of the Comptroller of the Currency assumes primary responsibility for nonbank stablecoin issuers, including federal qualified issuers and oversight of state-regulated issuers exceeding \$10 billion in outstanding stablecoin value. For bank subsidiary issuers, the appropriate federal banking agency (OCC for national banks, Federal Reserve for state member banks, FDIC for state non-member banks) maintains supervisory authority.

The Federal Reserve plays a crucial coordinating role through its participation in the Stablecoin Certification Review Committee alongside the Treasury Secretary and FDIC Chair. This committee holds veto power over certain issuer applications, particularly those from non-financial public companies seeking to enter the stablecoin market.

State Regulatory Pathways

States may establish their own stablecoin regulatory frameworks, provided they meet “substantially similar” standards to federal requirements as determined by the Stablecoin Certification Review Committee. State-regulated issuers with less than \$10 billion in outstanding stablecoins may operate primarily under state oversight, though they remain subject to federal anti-money laundering and sanctions requirements.

State regulators maintain supervisory, examination, and enforcement authority over their authorized issuers but must share information with federal regulators and may contract with the Federal Reserve for certain oversight functions. In unusual and exigent circumstances, federal regulators retain authority to take enforcement actions against state-regulated issuers.

Threshold-Based Oversight

The \$10 billion outstanding stablecoin threshold serves as a critical demarcation point in the regulatory framework. Issuers exceeding this threshold must either transition to direct federal oversight, obtain a waiver to remain under state supervision, or halt new issuance. This graduated approach recognizes that larger stablecoin operations present systemic risks requiring enhanced federal oversight while allowing smaller, community-focused issuers to benefit from state-level supervision.

GENIUS Act Impact for Community Banks

Competitive Landscape Changes

The GENIUS Act fundamentally reshapes competitive dynamics in payments and financial services markets, creating both opportunities and threats for community banks. Understanding these changes is crucial for developing effective strategic responses and positioning institutions for long-term success.

New Market Entrants

The GENIUS Act's permissive approach to nonbank stablecoin issuance enables a wide range of new competitors to enter markets traditionally dominated by banks. Fintech companies, payment processors, and technology firms may now offer payment services previously requiring bank partnerships or complex regulatory navigation.

These new entrants bring several competitive advantages that community banks must acknowledge and address. Technology firms possess sophisticated digital infrastructure and user experience capabilities that may attract digitally native customers. Fintech companies often operate with lower cost structures and greater operational flexibility than traditional banks. Payment processors bring extensive issuer and merchant relationships and transaction processing expertise. Cryptocurrency exchanges have deep digital asset expertise and customer relationships, though regulatory compliance requirements may present challenges.

New entrants also face significant challenges that may limit their competitive impact. Regulatory compliance costs and complexity may prove higher than anticipated, particularly for companies without existing financial services experience. Reserve management requirements demand substantial capital commitments and ongoing liquidity



management capabilities. Customer trust and confidence building require time and reputation development that established banks already possess.

Community banks can leverage their existing advantages while addressing competitive threats through strategic positioning and service enhancements. Their local market knowledge, established customer relationships, and community trust provide natural defensive moats. However, they must ensure their service delivery capabilities remain competitive with digitally native alternatives.

Big Tech Restrictions

One of the most significant protective measures in the GENIUS Act involves restrictions on large technology companies entering stablecoin markets. Non-financial public companies require unanimous approval from the Stablecoin Certification Review Committee, creating substantial barriers to entry for major technology platforms.

This restriction addresses concerns about technology companies leveraging their existing user bases and platform effects to dominate stablecoin markets rapidly. Companies like Amazon, Google, and Apple possess enormous user bases and sophisticated payment processing capabilities that could potentially enable rapid market capture if unrestricted.

The unanimous approval requirement means that the Treasury Secretary, Federal Reserve Chair, and the FDIC Chair must all agree that a technology company's stablecoin operations would not pose material risks to banking system safety, financial stability, or the Deposit Insurance Fund. This high bar provides significant protection for traditional financial institutions.

However, community banks should not become complacent about technology company competition. These firms may pursue stablecoin market entry through partnerships with authorized issuers, acquisition of financial services companies, or development of alternative digital payment solutions that do not fall under stablecoin regulations.

Deposit Disintermediation Risks and Mitigation Strategies

Deposit Disintermediation Risk

The most significant concern raised by community banks and their advocates involves the risk that stablecoins could facilitate deposit migration away from traditional banks, potentially undermining community banks' lending capacity and economic development role. Understanding and addressing these risks represents a critical strategic priority for community bank leadership.

The Independent Community Bankers of America (ICBA) has consistently highlighted the systemic risks that uncontrolled stablecoin adoption could pose to community banking. Their analysis focuses on the fundamental role that community bank deposits play in local economic development and the potential consequences of deposit disintermediation. The American Bankers Association (ABA) and recently commissioned research has estimated that deposit disintermediation from mass stablecoin adoption over the next few years could potentially reach close to \$200B or roughly 4–6% of the deposit base of community banks.²





Community banks utilize deposits to fund small-business loans, making them crucial engines of entrepreneurial activity and job creation in communities nationwide. They also provide a large percentage of agricultural loans, supporting farming operations and rural economic development across America. Any significant reduction in their deposit base could impair their ability to fulfill these vital economic functions.

ICBA's advocacy throughout the legislative process of the GENIUS Act focused on ensuring guardrails to prevent uncontrolled deposit migration while enabling beneficial innovation. Their efforts resulted in several protective provisions in the final legislation, though concerns remain about long-term competitive dynamics and customer behavior changes.

Built-in Risk Mitigations

The final legislation includes several important provisions designed to mitigate deposit disintermediation risks while enabling stablecoin market development. These measures reflect congressional recognition of community banks' vital economic role and the need to preserve their lending capacity.

The prohibition on interest-bearing stablecoins represents the most significant protective measure. By preventing stablecoin issuers from offering yield or returns on stablecoin holdings, the legislation maintains traditional banks' competitive advantage in providing returns on customer deposits. This restriction ensures that stablecoins serve primarily payment and settlement functions rather than competing directly with interest-bearing deposit accounts.

The exclusion of stablecoins from FDIC insurance coverage provides another important protection for traditional banking. Bank deposits continue to offer unique security through federal deposit insurance, maintaining a significant advantage over stablecoin holdings in customer risk assessment. This distinction helps preserve the fundamental value proposition of traditional banking relationships.

The legislation's reserve requirements

also create important structural protections. Stablecoin issuers must maintain full reserve backing, preventing them from engaging in fractional reserve banking or lending activities that could enable them to offer higher returns to stablecoin holders. This restriction maintains clear distinctions between payment stablecoins and traditional banking products.

Strategic Mitigation Approaches

Community banks can implement several strategic approaches to minimize deposit disintermediation risks while capitalizing on stablecoin market opportunities. These strategies involve combining traditional banking strengths with selective stablecoin market participation and enhanced value proposition development.

First, banks should focus on strengthening their core relationship banking advantages. Enhanced personal service, local market expertise, and community involvement remain difficult for stablecoin issuers to replicate.

Banks should invest in customer relationship development and community engagement to reinforce these competitive advantages.

Second, banks should consider selective stablecoin or tokenized deposit offerings to capture new revenue streams while retaining customer relationships. By offering stablecoin-related services such as conversions, custodial services, or payment processing, banks can participate in market growth while maintaining customer engagement and loyalty. By offering tokenized deposits-related services, Banks could also offer stablecoin like payment services while maintaining deposit relationships.

Third, banks should enhance their digital service offerings to compete effectively with

stablecoin user experiences. Mobile banking improvements, faster payment processing, and enhanced digital functionality can help maintain customer satisfaction while preserving traditional banking relationships.

Fourth, banks should develop comprehensive customer education programs explaining the differences between traditional banking and stablecoin services. Helping customers understand FDIC insurance benefits, relationship banking advantages, and stablecoin risks can support informed decision-making and customer retention.

Market Participation Strategies and Issuer Pathways for Community Banks

Community banks possess several distinct advantages in pursuing stablecoin issuance under the GENIUS Act framework. Their existing regulatory relationships, compliance infrastructure, and customer trust provide natural foundations for digital currency operations. However, each pathway presents unique requirements, opportunities, and challenges that must be carefully evaluated. Community banks need to balance the opportunity the GENIUS Act presents with a clear understanding of what the true implications of the Act are on their specific business to fully understand what their strategic response should be. The following are a few pathways a community bank may choose based on the strategic response they determine offers the best outcomes for their business.

Bank Subsidiary Route

The most direct path for community banks involves establishing a subsidiary specifically authorized to issue payment stablecoins. This approach leverages the bank's existing regulatory relationship with its primary federal regulator while creating appropriate operational separation between traditional banking and stablecoin activities.



The subsidiary structure provides several advantages. First, it allows banks to utilize their existing risk management frameworks and compliance systems while adapting them for stablecoin operations. Second, it enables leveraging established customer relationships and trust, potentially accelerating market adoption. Third, it provides regulatory familiarity, as banks work with known supervisors rather than navigating new regulatory relationships.

However, the subsidiary approach requires significant upfront investment. Banks must develop comprehensive business plans demonstrating their ability to meet reserve requirements, establish appropriate technology infrastructure, and maintain robust compliance programs. The regulatory approval process typically requires several months and involves detailed financial projections, risk assessments, and operational planning.

Community banks considering this pathway should begin planning immediately, as the

regulatory approval process alone may take 12-18 months. Key preparation steps include conducting market feasibility studies, developing preliminary business cases, identifying technology partners or solutions, and initiating conversations with regulatory supervisors about expectations and timeline requirements.

Partnership Models

For community banks preferring to participate in stablecoin markets without direct issuance responsibilities, partnership models offer attractive alternatives. These arrangements may involve providing custodial services for stablecoin reserves, facilitating customer conversions between traditional deposits and stablecoins, or offering payment processing services incorporating stablecoin functionality.

Custodial partnerships represent particularly promising opportunities for community banks. The GENIUS Act's reserve requirements create substantial demand for secure, compliant custodial services. Community

banks can leverage their existing trust and custody capabilities, subject to enhanced segregation and reporting requirements, to serve stablecoin issuers' reserve management needs.

Payment facilitation partnerships allow community banks to offer stablecoin-enabled services without direct regulatory burden. Banks can partner with authorized issuers to provide stablecoin conversion, cross-border payment, and treasury management services to their customers while maintaining their traditional banking relationships and value propositions.

These partnership models require careful legal and regulatory analysis to ensure compliance with applicable banking laws, including potential restrictions on bank service company activities and third-party risk management requirements. However, they offer lower-risk entry points into stablecoin markets while preserving banks' flexibility to expand participation over time.

State-Level Participation

Community banks operating in states developing their own stablecoin regulatory frameworks may find state-level participation pathways particularly attractive. State regulation may offer more tailored approaches reflecting local market conditions and community banking characteristics while maintaining consistency with federal consumer protection standards.

State frameworks may provide several advantages for community-focused institutions. Regulatory familiarity with local banking markets may enable more nuanced oversight approaches. State regulators may better understand community banks' unique business models and market positions, potentially leading to more appropriate regulatory expectations and examination procedures.

However, state-level participation requires careful analysis of long-term strategic implications. Banks must consider potential limitations if they exceed \$10 billion thresholds, requirements for federal coordination and information sharing, and possibilities that state frameworks may not provide competitive advantages relative to federal pathways based on the bank's growth plans.



Consortium and Shared Infrastructure Approaches

Community banks can leverage collaborative approaches to access stablecoin market opportunities while sharing costs, risks, and expertise through various consortium and shared infrastructure arrangements. While this approach has not worked well in the US to date, the passage of the GENIUS Act provides new opportunities for banks to consider and there are very successful examples of this type of model working in other markets outside of the United States that could provide a blueprint.

Multi-Bank Stablecoin Issuance Entities

Collaborative issuance arrangements enable community banks to participate in stablecoin markets while sharing infrastructure costs and operational complexity across multiple institutions.

Regional consortium models could enable banks in specific geographic areas to jointly develop stablecoin capabilities while maintaining individual customer relationships and competitive positioning. These arrangements can distribute development costs across multiple institutions while providing economies of scale in technology infrastructure, regulatory compliance, and operational management.

Functional consortium approaches could bring together banks with complementary capabilities and market positions to develop specialized stablecoin services. For example, banks with strong technology capabilities could partner with institutions possessing extensive customer relationships or specialized market expertise to create comprehensive stablecoin offerings.



Shared branding strategies within consortium arrangements could enable participating banks to offer consistent stablecoin services while maintaining their individual identities and customer relationships. These approaches can provide market recognition benefits while preserving the community banking brand values that differentiate member institutions.

Governance structures for multi-bank consortiums would require careful design to balance individual bank autonomy with collective decision-making efficiency. Successful arrangements typically include clear governance frameworks, equitable cost and revenue sharing mechanisms, and appropriate exit provisions for changing circumstances.



Shared Technology Platforms and Compliance Systems

Collaborative technology development can enable community banks to access stablecoin infrastructure while sharing development costs and ongoing operational expenses. Shared infrastructure development enables multiple banks to collectively invest in comprehensive stablecoin technology platforms while achieving economies of scale unavailable to individual institutions. These arrangements can provide access to enterprise-grade systems while distributing costs across multiple users.

Compliance system sharing can help banks address the enhanced regulatory requirements associated with stablecoin operations while leveraging shared expertise and system capabilities. Collaborative compliance approaches can provide access to specialized knowledge and technology while reducing individual bank compliance costs.

Technology vendor partnerships negotiated collectively can provide community banks with enhanced leverage in vendor selection while achieving better pricing and service terms than individual institutions might obtain independently. Collective negotiations can also help ensure that vendor solutions address community banking needs effectively.

Shared service center models could enable banks to collectively operate stablecoin infrastructure while maintaining individual customer relationships and competitive positioning. These arrangements can provide operational efficiency while preserving banks' ability to differentiate their customer service and market positioning.

Joint Venture and Cooperative Structures

Formal joint venture arrangements can provide community banks with a comprehensive framework for collaborative stablecoin market enablement while addressing legal, regulatory, and operational complexity.

Bank service company structures under existing regulatory frameworks can enable community banks to jointly own and operate stablecoin infrastructure while maintaining appropriate regulatory oversight and operational control. These structures leverage existing regulatory frameworks while providing flexibility for collaborative arrangements.

Opportunistic Positioning Strategies

Community banks may choose opportunistic positioning strategies focused on protecting existing customer relationships and market positions while selectively engaging with stablecoin market developments. These approaches emphasize traditional banking strengths while addressing competitive threats from stablecoin-enabled competitors. One of the key blockers for mainstream payments-based stablecoin adoption has been the infrastructure and user experience limitations of the current platforms. With some customer education and enhancements to current offerings and capabilities, community banks may find an opportunistic strategy may provide the best short to medium term outcomes for their business.

Enhanced Digital Banking and Payment Offerings

Banks can strengthen competitive positioning by enhancing digital service capabilities to match or exceed convenience and functionality offered by stablecoin-enabled payment solutions while maintaining traditional banking advantages.

Mobile banking platform enhancements could include faster payment processing, improved user interfaces, and expanded functionality comparable to stablecoin wallet applications. Banks should evaluate customer experience gaps relative to digital-native competitors while identifying improvement opportunities that leverage existing customer relationships.

Real-time payment integration through FedNow and RTP networks could provide instant settlement capabilities comparable to stablecoin transactions while maintaining traditional banking security and regulatory protections. Banks should prioritize implementation of these capabilities to address customer expectations for faster payment processing.

Digital wallet functionality could enable banks to offer comprehensive payment solutions through existing customer relationships while maintaining deposit-based business models. Banks can develop or partner for digital wallet capabilities that integrate traditional banking services with modern payment functionality.

Customer Relationship Strengthening

Community banks should reinforce their fundamental competitive advantages through enhanced relationship banking capabilities and customer engagement strategies that differentiate them from technology-focused competitors.

Personalized service enhancements could emphasize the human element and local expertise that stablecoin issuers cannot easily replicate. Banks should invest in customer relationship management capabilities while training staff to leverage personal relationships and community connections effectively.





Local market expertise and community involvement represent natural competitive advantages that banks should emphasize through marketing and customer communication strategies. Banks should highlight their commitment to local economic development and their understanding of community-specific financial needs.

Financial education and advisory services could help customers understand the differences between traditional banking and stablecoin services while making informed decisions about their financial service needs. Banks should develop comprehensive education programs that build customer financial literacy while reinforcing the value of traditional banking relationships.

Product Proposition Enhancement

Banks should evaluate and enhance their fundamental value propositions to ensure

they remain compelling relative to stablecoin-enabled alternatives while addressing changing customer expectations and competitive dynamics. Done right, Banks can deliver on changing customer expectations and protect their deposit base at the same time.

FDIC insurance benefits represent unique advantages that banks should emphasize in customer communications while educating customers about the risks associated with uninsured stablecoin holdings.

Banks should develop clear communication strategies that explain insurance benefits without creating unfair competitive practices.

Comprehensive financial service capabilities including lending, deposit gathering, investment services, and financial planning represent integrated value propositions that individual stablecoin issuers cannot easily replicate. Banks should emphasize these relationship-based advantages.



Local Market-Specific Considerations

Local Market Characteristics to consider

Understanding local market dynamics will help community banks evaluate potential demand for digital asset services (stablecoins or tokenized deposits) while identifying competitive opportunities and challenges specific to their operating environments. This will be critical to understand to ensure banks can find and employ the right priorities and use cases to meet the customer needs.

Economic development patterns in bank markets affect potential demand for stablecoin services, with areas experiencing growth in technology companies, international trade, or cross-border business activity likely showing higher demand for digital payment solutions. Demographics and customer

characteristics significantly influence stablecoin adoption potential, with younger, more technology-savvy populations typically showing greater interest in digital asset services while traditional customer bases may require more extensive education and support. Business customer composition affects potential revenue opportunities, with markets including significant international trade activity, e-commerce businesses, or technology companies likely providing better opportunities for stablecoin service adoption.

Competitive landscape variations across markets will definitely influence strategic considerations, with some areas featuring minimal stablecoin competition while others may include established fintech providers or other banks/non-banks already offering digital asset services.

Community banks serving markets with significant international connectivity may find enhanced opportunities for stablecoin-based cross-border payment services.

Agricultural market connections including grain exports, livestock trade, and agricultural equipment purchases create natural demand for efficient international payment services that stablecoins could address more effectively than traditional correspondent banking.

Manufacturing and industrial connections including supply chain payments, international sourcing, and export financing create business customer demand for enhanced international payment capabilities that banks could address through stablecoin services.

Tourism and seasonal business activity including hospitality industry payments, seasonal worker remittances, and international visitor services create retail and small business demand for enhanced payment capabilities.

Migrant and diaspora communities often require international money transfer services that stablecoins could provide more efficiently and cost-effectively than traditional remittance providers.



Community Banks' Strategic Imperative

The GENIUS Act fundamentally reshapes the competitive landscape for community banks, creating both unprecedented opportunities and potential risks that require strategic attention. Community banks face three distinct strategic pathways—direct stablecoin issuance, partnership models, and opportunistic positioning—each with unique implications for operational complexity, regulatory burden, and competitive positioning.

While the legislation's protective measures including interest-bearing stablecoin prohibitions and FDIC insurance exclusions provide important safeguards for traditional banking relationships, community banks cannot rely solely on regulatory protection to maintain competitive positioning as new market entrants bring sophisticated technology capabilities and operational flexibility to payment markets.

Deposit disintermediation represents the most significant systemic risk, requiring banks to proactively implement customer retention strategies, enhance digital service capabilities, and develop comprehensive value propositions that differentiate traditional banking relationships from stablecoin alternatives. With the January 2027 effective date creating a narrow 16-month window for planning and implementation, the strategic imperative is clear: community banks must quickly assess their market opportunities, evaluate their operational capabilities, and make informed decisions about their level of participation before it is too late. Local market characteristics significantly influence both risk exposure and opportunity potential, requiring banks to conduct thorough analyses of their specific market conditions, customer demographics, and competitive environments when developing strategic responses to the GENIUS Act.

Successful navigation requires balancing innovation adoption with preservation of fundamental competitive advantages in community-focused banking, local market expertise, and community development focus. Banks that achieve this balance while adapting effectively to new competitive dynamics will strengthen their long-term market positioning and continue their vital role in the economic development of their community.



Conclusion

The GENIUS Act represents more than incremental regulatory change—it potentially marks a fundamental transformation in financial services markets that will reshape competitive dynamics, customer expectations, and operational requirements across the banking industry.

Paradigm Shift in Payment Systems

The legislation could enable the first regulated integration of blockchain-based payment systems with traditional banking infrastructure, creating hybrid financial ecosystems that combine the efficiency of digital assets with the stability and consumer protection of traditional banking in the United States.

This transformation would accelerate customer expectations for instant settlement, reduced transaction costs, and seamless cross-border payments while maintaining security and regulatory protection standards. Community banks that successfully navigate this transition will strengthen their competitive positioning.

The integration of stablecoins and/or tokenized deposits with existing payment rails would create network effects that benefit early adopters while potentially disadvantaging institutions that delay participation. Banks must evaluate their strategic positioning carefully while avoiding both premature commitment to unproven approaches and excessive delay that could damage competitive positioning.

Redefinition of Banking and Commerce Boundaries

The GENIUS Act's permission for non-bank entities to issue payment stablecoins while maintaining restrictions on commercial company participation creates new competitive dynamics that blur traditional boundaries between banking, payments, and technology services.

Community banks face both opportunities and threats from this evolution of boundaries.

Enhanced competition from fintech companies and specialized payment providers could put pressure on traditional banking relationships while creating opportunities for banks to expand into new service areas and revenue streams.

The legislation's protective measures including interest-bearing restrictions and Federal Reserve Master Account limitations help preserve traditional banking advantages while enabling beneficial innovation. Banks must remain vigilant regarding competitive developments and regulatory evolution that could affect these protective measures over time.



Evolution of Community Banking Value Propositions

Community banks should adapt their fundamental value propositions to remain competitive in markets where digital payment efficiency becomes increasingly important while preserving the relationship banking advantages that differentiate them from technology-focused competitors.

The transformation would require banks to become technology-capable while remaining relationship-focused, creating operational complexity that demands careful management and strategic planning. Banks that successfully navigate this balance will strengthen their competitive positioning.

Success in the post-GENIUS Act environment requires community banks to become technology-enabled relationship banks that combine digital payment efficiency with personalized service, local market expertise, and community development focus. Institutions that achieve this balance will thrive in the ever-evolving financial services market.

Community Bank Call to Action

The GENIUS Act creates an urgent 16-month window for community banks to make strategic decisions that will define their competitive positioning for the next decade. With the January 2027 effective date approaching rapidly, banks should move beyond analysis to take decisive action across three critical areas: immediate assessment, strategic decision-making, and implementation planning.

NEXT
90 days

Immediate Market and Capability Assessment

Community banks should begin with a comprehensive evaluation of their market opportunity and internal readiness. Conduct detailed customer demographic analysis to identify segments most likely to adopt stablecoin services, including businesses engaged in international trade, e-commerce

companies, and digitally native consumers. Analyze local competitive dynamics to understand which fintech companies or other banks may enter your market with stablecoin offerings and assess the timing and potential impact of their entry.

Evaluate your institution's current technological infrastructure and determine what investments would be required for direct stablecoin issuance, partnership participation, or enhanced positioning. Review existing vendor relationships to identify potential technology partners who can provide stablecoin infrastructure or tokenized deposit capabilities. Most importantly, engage in preliminary discussions with your primary federal or state regulators to understand their expectations, timelines, and resource requirements for any stablecoin-related activities you might pursue.

MONTHS
4-8

Strategic Pathway Selection

Based on your assessment findings, choose which primary strategic pathway makes the most sense, recognizing that this decision will shape your competitive positioning and operational requirements for years to come.

For banks pursuing direct stablecoin issuance through the subsidiary route, begin formal regulatory discussions immediately and develop comprehensive business plans that demonstrate market demand, operational capability, and financial viability. The regulatory approval process alone may require 12-18 months, making fast action essential for meeting the January 2027 deadline. Focus on local market opportunities where your community relationships and expertise provide natural advantages over larger competitors.

Banks choosing partnership models should identify and evaluate potential partners among authorized stablecoin issuers, technology providers, or consortium opportunities. Negotiate partnership terms that preserve customer relationships while providing meaningful revenue opportunities



and strategic flexibility. Consider custodial service partnerships for stablecoin reserves, payment facilitation arrangements, or shared infrastructure investments with other community banks.

Institutions adopting opportunistic strategies should quickly enhance their digital banking capabilities, implement real-time payment processing through FedNow and RTP networks, and develop comprehensive customer education programs about the differences between traditional banking and stablecoin services. Strengthen relationship banking advantages through personalized service improvements and community engagement initiatives that technology-focused competitors cannot easily replicate.

MONTHS
9-16

Implementation and Risk Mitigation

Execute your chosen strategy while implementing comprehensive risk mitigation measures to protect against deposit disintermediation and competitive threats. Regardless of your strategic pathway, develop customer retention programs that emphasize the unique advantages of traditional banking relationships, including FDIC insurance, integrated financial services, and personalized local expertise.

Implement enhanced digital services that match or exceed the convenience offered by stablecoin applications while maintaining traditional banking security and regulatory protections. This includes mobile banking improvements, faster payment processing, and digital wallet functionality that integrates with existing customer relationships.

Establish monitoring systems to track customer behavior changes, competitive developments, and regulatory evolution that may require strategic adjustments. Create contingency plans for scenarios including faster-than-expected stablecoin adoption, new competitive entrants, or changes in regulatory frameworks that could affect your strategic positioning.

Critical Success Factors

Success requires balancing innovation adoption with preservation of community banking's fundamental advantages. Banks must become technology-enabled relationship institutions that combine digital payment efficiency with personalized service and community development focus. This transformation demands significant investment in both technology capabilities and staff training while maintaining the community connections that differentiate community banks from technology-focused competitors.

Customer education becomes crucial as banks must help customers understand the trade-offs between stablecoin convenience and traditional banking security. Develop clear communication strategies that explain FDIC insurance benefits, relationship banking advantages, and stablecoin risks without creating unfair competitive practices or regulatory concerns.

Regulatory compliance requires ongoing attention as the GENIUS Act's implementation may involve evolving guidance and examination procedures. Maintain close relationships with regulatory supervisors while ensuring compliance programs adapt effectively to changing requirements.

The Strategic Imperative

Community banks face a defining moment that requires decisive action within a compressed timeline. The institutions that successfully navigate this transformation will emerge as technology-enabled relationship banks capable of competing effectively in digital payment markets while maintaining their vital role in community economic development.

The GENIUS Act presents both unprecedented opportunity and potential risk. Community banks that act decisively within the implementation timeline will be best positioned for long-term success. The window for strategic decision-making is narrow, and the stakes could not be higher. The time for action is now.



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Greg has 30+ years of experience in the Banking and Payments Industry. Greg has held multiple senior executive roles in Sales, Business & Market Development, Product Management & Strategy and Corporate Development. Most recently, Greg served as the Chief Revenue Officer for Omnumi, Inc., a compliance and identity-based currency and payment platform provider in the digital currency and blockchain market. Prior to Omnumi, Greg served as the Head of Market & Product Strategy at Zafin, a market leader in product & pricing for the FS industry. Greg also served as the Head of NA Sales at Technisys, a core banking and digital banking provider, and built and managed successful go-to-market and strategy teams globally at Intellect Design Arena, FIS and S2 Systems.



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Michel Jacobs serves as CSI's Chief Strategy Officer. In this role, he leads CSI corporate and market strategy with a focus on business value driven outcomes for CSI's customers and their retail and business customers. He also provides direction on CSI product and market development, M&A initiatives and strategic partnerships.

Before joining CSI, he was an independent consultant working within the financial services sector and has served in various roles in which he led corporate and market strategy, product strategy and go to market execution, including chief sales officer at Technisys, executive vice president at Intellect iGTB, EVP Product and Market Strategy at FIS and SVP New Solutions Development at eFunds.



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Resources

¹[Independent Community Bankers Association of America: "ICBA Urges Lawmakers to Ensure Community Bank Concerns Are Addressed in GENIUS Act Before Any Senate Vote"](#)

²[The American Bankers Association: "Stablecoin FAQ"](#)

