



## Overview

Senator Warren's [memo](#) opposing the GENIUS Act raises five main concerns: (1) the potential for Big Tech and commercial entities to issue stablecoins, (2) lack of consumer protections, (3) national security and illicit finance risks, (4) loopholes for foreign stablecoins, and (5) financial stability risks. Below is an analysis demonstrating why these concerns are unfounded and how the GENIUS Act already addresses them within its regulatory framework.

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### 1. The GENIUS Act Prohibits Big Tech from Controlling Stablecoin Issuance

**Warren's Claim:** The bill would allow companies like Elon Musk's X, the Trump Organization, and Big Tech firms to control money, violating the separation of banking and commerce.

**The Truth:**

- **The GENIUS Act explicitly limits stablecoin issuance to federally regulated banks and licensed non-bank entities** under strict oversight from the Office of the Comptroller of the Currency (OCC) and the Federal Reserve.
- **The bill prohibits commercial firms, including Big Tech companies, from issuing stablecoins** unless they meet strict regulatory requirements, including financial risk mitigation, consumer data privacy protections, and anti-monopoly safeguards.
- The Act ensures that stablecoin issuers **must be subject to the same compliance obligations as traditional financial institutions, preventing misuse by non-financial corporations.**
- The claim that this bill enables Big Tech to control stablecoins is **misleading**. The legislation **reinforces regulatory firewalls** that separate commerce and banking while ensuring that only compliant financial entities can issue stablecoins.
- Additionally, the bill maintains regulatory discretion for federal agencies to **reject applications or restrict activities** of entities whose entry would pose risks to financial stability, consumer protection, or market integrity.

## 2. The GENIUS Act Provides Strong Consumer Protections

**Warren's Claim:** The bill lacks sufficient consumer protections, allowing commingling of funds, weak financial reporting, and insufficient oversight.

### The Truth:

- The bill **mandates 1:1 reserve backing** of all issued stablecoins, ensuring consumers can always redeem their tokens for U.S. dollars.
- **Commingling of funds is explicitly prohibited**—all stablecoin reserves must be held in segregated accounts to protect consumer assets.
- Stablecoin issuers must **undergo independent audits and submit regular financial disclosures** to regulators to ensure transparency and financial stability.
- The Act does **not limit the enforcement authority of the CFPB or FTC**. On the contrary, the updated bill **preserves and clarifies their jurisdiction**, ensuring they can pursue actions against deceptive, unfair, or abusive practices. Democratic negotiators also secured language reaffirming that state consumer protection laws are **not preempted**, allowing stronger state-level safeguards to stand.
- Consumers are prioritized in bankruptcy: The bill clarifies that **all stablecoin holders have a claim in the event of an issuer's failure**, even without explicit contractual redemption rights.
- The legislation **bans misleading branding and marketing practices**.
- The GENIUS Act contains **clear and enforceable consumer protections** that go beyond existing market standards, ensuring that stablecoins remain **safe, transparent, and redeemable** at all times.

## 3. The GENIUS Act Strengthens National Security and Anti-Money Laundering (AML) Measures

**Warren's Claim:** The bill does not do enough to prevent illicit finance risks, money laundering, and terrorist financing.

### The Truth:

- The Act **subjects all stablecoin issuers to the Bank Secrecy Act (BSA) and AML regulations**, requiring them to comply with KYC (Know Your Customer) rules and suspicious activity reporting.

- The bill requires **ongoing federal oversight and coordination with the Financial Crimes Enforcement Network (FinCEN)** to monitor illicit activities involving stablecoins.
- The bill's **reserve and redemption provisions prevent anonymity-driven stablecoin transactions**, unlike existing unregulated stablecoins.
- Far from being a loophole for illicit finance, the GENIUS Act **enhances AML compliance**, ensuring that stablecoins operate within the bounds of U.S. financial laws.
- The bill directs **FinCEN** to develop **DeFi risk management standards** for financial institutions interacting with anonymizing technologies.

#### 4. The GENIUS Act Closes Foreign Stablecoin Loopholes

**Warren's Claim:** The bill allows foreign stablecoin issuers, such as Tether, to operate in the U.S. without proper regulation.

##### **The Truth:**

- **The bill applies to any stablecoin issuer operating in the U.S., regardless of its country of incorporation.** Foreign issuers must obtain a license and meet the same **reserve, transparency, and AML requirements** as domestic issuers.
- The Act grants **U.S. regulators authority to restrict foreign stablecoin transactions** if they pose financial stability or illicit finance risks.
- **Tether and similar issuers would be forced to comply with these regulations or risk being barred from U.S. markets.**
- The GENIUS Act ensures that **no stablecoin issuer—domestic or foreign—can operate outside U.S. financial oversight.**
- The bill prohibits foreign stablecoins from circulating in the U.S. **if they are issued in sanctioned jurisdictions** or by countries designated as **primary money laundering concerns** by the Treasury.
- The bill establishes that any foreign regulatory regime must be certified by the **Treasury, Federal Reserve, and FDIC**, not unilaterally approved, through a new **Stablecoin Certification Review Committee.**

## 5. The GENIUS Act Enhances Financial Stability Protections

**Warren's Claim:** The bill permits risky investments, creates bailout risks, and weakens federal regulators' ability to prevent financial instability.

### The Truth:

- The bill **prohibits fractional reserve stablecoins**—issuers are barred from lending out reserves or using them for leveraged investments. All stablecoins must be **fully backed by high-quality liquid assets**, such as U.S. Treasuries and cash equivalents, ensuring instant redemption and reducing liquidity risk.
  - The Federal Reserve and OCC must submit **annual reports assessing systemic risks** posed by stablecoins, which are incorporated into **the Financial Stability Oversight Council (FSOC) systemic risk evaluations**.
  - Rather than weakening financial oversight, the GENIUS Act **strengthens safeguards**, ensuring that stablecoins do not contribute to systemic risk while keeping them integrated within the financial system.
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## Conclusion

The **GENIUS Act** is the product of **months of bipartisan negotiation and collaboration**, with **Democratic staff playing a central role** in shaping the legislation's provisions on **ethics, consumer protection, financial stability, and national security**. **Opposing the bill based on outdated drafts or speculative hypotheticals** risks overlooking a **rare opportunity to establish a thoughtful, forward-looking regulatory framework** for digital assets.

**Senator Warren's memo misrepresents the current text** of the GENIUS Act and **overlooks the substantial safeguards** now embedded in the legislation. The bill provides **strong oversight of stablecoin issuers, prohibits risky practices, enhances anti-money laundering enforcement, reinforces U.S. regulatory leadership, and ensures accountability** for both domestic and foreign actors.

This legislation represents a **credible, bipartisan path forward** on stablecoin regulation. At a time when **global financial competitors are setting the rules** for digital finance, the GENIUS Act allows the United States to lead with **confidence, clarity, and consumer-first values**. We urge lawmakers to **support this commonsense framework** and **reject unfounded opposition that jeopardizes progress**.