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Client Alert: Senate Passes GENIUS Act

The recent advancement of the GENIUS Act marks a turning point in the regulatory treatment of stablecoins in the United States, establishing a federal framework for the issuance and supervision of payment stablecoins. The implications for community banks—particularly those under \$4 billion in assets—are both immediate and strategic. If the legislation advances through the House and is ultimately signed into law, stablecoins could rapidly emerge as an alternative to traditional deposit accounts for payments, settlements, and liquidity management. The Financial Institutions & Insurance Industry Sector at Shumaker is strongly urging community banks to engage proactively with this shift—not only to mitigate the risk of deposit disintermediation but also to explore opportunities to lead in areas such as tokenized payments, custody services, and on-chain settlement infrastructure.

Attached is a summary of the Act prepared by Senator Bill Hagerty, a staunch proponent of the legislation. Some key implications of the legislation to community banks include the following:

1. Disintermediation of Bank Deposits

- Business and consumer customers alike may rapidly shift their active balances from traditional bank deposit and treasury management accounts to stablecoin wallets that operate exclusively through distributed ledger technology.
- This will be most acute for non-interest-bearing transaction accounts, which are already a margin drag

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in rising-rate environments.

2. Pressure on Net Interest Margins (NIMs)

- Banks rely on cheap deposits to fund higher-yielding loans. GENIUS-authorized stablecoins could siphon off low-cost liabilities, forcing banks to compete more aggressively on rate or services.
- This could also encourage more interest-bearing or tokenized deposit offerings to remain competitive.

3. Liquidity Management Complexity

- Stablecoins can be moved 24/7/365, while bank rails remain restricted to business hours (outside FedNow participants).
- Corporate clients could increasingly optimize idle balances by sweeping into stablecoins overnight, pulling liquidity away from the traditional system.

We would be happy to discuss how the evolving regulatory landscape surrounding stablecoins may intersect with your institution's business model, risk posture, and long-term strategy. Opportunities abound for forward-thinking institutions, and first-mover advantage may be more important now than ever before. Our team is actively advising our community bank clients on how to position themselves not just defensively, but competitively, in this next chapter of financial innovation.