Americans for Financial Reform

July 2025

The GENIUS Act's Flaws and Failures

The GENIUS Act rewards crypto tycoons driving the assault on democratic governance

The GENIUS Act makes it easier for Elon Musk, Donald Trump or other billionaires to issue their own money, giving them even more control over our data and financial system. The administration's crypto-friendly nominees and the Musk assault on securities regulation and consumer protection are already creating windfalls for crypto tycoons. The GENIUS Act enriches those that are dismantling the federal safeguards that have long protected consumers and investors.

Stablecoin boosters are biggest cheerleaders for Trump-Musk attack on federal governance: The crypto titans and venture capital political donors that are pushing stablecoin legislation, such as Brian Armstrong and Marc Andreessen, are also cheering as Musk and Trump dismantle the CFPB and the FTC. Passing the GENIUS Act enriches them since they are either investors or prospective issuers.

Musk is poised to allow stablecoin, crypto trading on his X platform: Musk's emerging multi-services payment app on the X social media platform will reportedly be crypto ready this year. Issuing a stablecoin would be the natural next step.

Presidential conflicts of interest from Trump stablecoin: The Trump family's crypto platform World Liberty Financial just announced plans to issue a dollar-backed stablecoin in partnership with Binance (itself recently convicted of aiding and abetting money laundering on a grand scale).

The GENIUS Act's inadequate anti-money laundering provisions allow bad actors to use stablecoins in harmful ways that threaten our safety and security

Stablecoin legislation needs strong anti-money laundering provisions that address stablecoins' central role in crypto ecosystems: Punting AML to future crypto market structure bills ignores the key role stablecoins play in facilitating crypto finance, including illicit finance, and assumes the crypto industry will accept strong and consistent AML rules, despite the industry's general hostility to AML.

Weak offshore listings provisions foster illicit finance: This bill's provisions still allow stablecoins issued offshore to be listed, traded, and used in the United States. This means issuers like Tether can evade the GENIUS Act framework, skirt real AML compliance, and maintain dominance on crypto platforms.

Weak AML provisions exempt exchanges: The bill's AML obligations only apply to issuers selling coins, not to the exchanges where stablecoins are listed, including DeFi platforms with lax or nonexistent know your customer requirements, self-hosted wallet providers, or mixers that hide illicit activity. This AML loophole will be easily exploited by bad crypto actors using stablecoins.

No sanctions enforcement on U.S. dollar-backed stablecoins: The bill fails to enforce sanctions on those using dollar-backed stablecoins, increasing the volume of assets available to facilitate sanctions evasion by bad actors such as Iran and North Korea.

The GENIUS Act enables Big Tech CEOs to issue their own monopolistic private currency, threatening privacy and economic stability

Dangerously combines banking and commerce: The bill lacks Bank Holding Company Act provisions that historically separate banking and commerce to prevent conflicts of interest, economic concentration, and risk of collapse. Previously proposed stablecoin legislation has included these barriers for stablecoin issuers.

Big Tech stablecoins would further entrench their monopoly power: Right now, Big Tech or commercial firms can't directly issue stablecoins — they must partner with banks or other financial institutions. But this bill greenlights X or Meta or Amazon to issue stablecoins directly to consumers and require the use of branded stablecoins to access their affiliated products. Branded stablecoins would be a bonanza for platforms, who would gain more consumer data, extend their market power to control consumer markets and prices, and profit from consumers' purchases and payments.

The potential failure of platform stablecoins would create economic instability: The outsized economic role of a platform-backed stablecoin could rapidly transmit financial contagion. If an issuing company faltered and its share price nosedived, the fallout could devalue billions of affiliated stablecoins. The GENIUS Act's weak provisions to address this could be easily evaded and do not address the scale of the risk.

The GENIUS Act will make our financial system less stable and less safe

The bill allows issuers to back stablecoins with risky assets: This includes uninsured deposits or money market mutual funds that have already caused stablecoin issuers to come close to default. The bill lacks robust auditing procedures, has inadequate pre-approval issuer evaluation, allows issuers to commingle customer funds, and more.

The bill creates a weak state licensing regime: The bill's weak approval process for state issuers strictly limits federal regulators' ability to prevent stablecoin collapses from spreading. This invites a race to the bottom, as states compete to weaken regulatory oversight to attract the next big crypto coin.

Illusion of stability amplifies risks: Making stablecoins seem as safe as cash or bank deposits is likely to amplify their risks — and with this bill, taxpayers are likely to be forced to bailout issuers when the next coin crashes.

The GENIUS Act will expose consumers to more risk with few protections

Little protection for consumers from failed stablecoins: Stablecoins can and do become unstable and collapse, but the bill offers no real consumer protections. Stablecoin holders won't receive deposit insurance nor will banking regulators take over insolvent stablecoins and reimburse coin holders. Instead, stablecoin holders will be forced into a long, uncertain, and complicated bankruptcy process to recover the evaporating value of their holdings, based on reserve assets that may or may not be there.

No redemption protections: The bill does not guarantee on-demand, full price redemption of stablecoin holdings. It allows for lax, potentially exploitative redemption policies that tacitly allow issuers to deploy redemption practices that could harm consumers.

No application of federal, state consumer protection laws: The bill is silent on whether the Consumer Financial Protection Bureau's consumer protection authority applies to stablecoin issuers and holders, despite widespread consumer problems with stablecoins. The bill also preempts existing state consumer protection laws.