



Letter from the Investment Company Institute

May 1, 2026

Office of the Comptroller of the Currency
400 7th Street, S.W., Suite 1E-216
Washington, D.C. 20219
Attn: Chief Counsel's Office
RIN 1557-AF41
VIA ELECTRONIC PORTAL (<https://regulations.gov/>)

Re: *Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency (Docket ID: OCC-2025-0372)*

Dear Office of Chief Counsel:

The Investment Company Institute¹ appreciates the opportunity to provide comments on the Office of the Comptroller of the Currency's ("OCC") proposed rules (the "Proposed Rules") to implement the Guiding and Establishing National Innovation for U.S. Stablecoins Act.² The Proposed Rules would primarily apply to permitted payment stablecoin issuers ("PPSIs") and foreign payment stablecoin issuers under the OCC's jurisdiction. ICI's comments are limited to certain matters pertaining to reserve assets required to be maintained by PPSIs.

Although we broadly support the Proposed Rules as they relate to reserve assets, we offer several recommendations to better align them with Congress' intent to permit PPSIs to

¹ The [Investment Company Institute](https://www.ici.org) (ICI) is the leading association representing the asset management industry in service of individual investors. ICI's members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage \$45.3 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 125 million investors. Members manage an additional \$10.4 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI Associate Members include service providers to member firms and CIT trust companies. ICI has offices in Washington DC, Brussels, and London.

² OCC, *Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency*, Notice of Proposed Rulemaking, 91 Fed. Reg. 10202 (Mar. 2, 2026) (the "Proposing Release"). The Guiding and Establishing National Innovation for U.S. Stablecoins Act is referred to herein as the "GENIUS Act" or the "Act."

maintain reserve assets in qualifying investment companies registered under the Investment Company Act of 1940 (the “1940 Act”).

Our comments address six principal issues:

1. Permissible reserve assets should include: (a) any investment company registered under the 1940 Act that limits its investments to permissible reserve assets, not just registered government money market funds, (b) qualifying repurchase and reverse repurchase agreements collateralized, in part, by cash, and (c) qualifying registered investment companies that invest in certain other qualifying registered investment companies.
2. The 40% diversification requirement and related safe harbor should not limit holdings in qualifying investment companies.
3. Qualifying investment companies should count towards the proposed 30% “weekly” liquid asset requirement.
4. The 1940 Act’s Rule 2a-7 weighted average maturity calculation is not an appropriate calculation methodology for reserve assets.
5. The final rule should not include variable capital charges and look through treatment applicable to qualifying investment companies.
6. PPSIs should be permitted to retain an asset manager to manage reserve assets under a separately managed account.

Background

The GENIUS Act establishes a comprehensive regulatory framework for “payment stablecoins,” a type of stablecoin to be used as a means of payment or settlement rather than investment. Among other requirements, the Act imposes licensing requirements on PPSIs and subjects them to prudential regulatory and consumer protection standards that are designed to promote transparency into reserve assets and mitigate risks, including the risk that a PPSI might not maintain sufficient reserve assets to back its outstanding payment stablecoins. For example, the GENIUS Act requires PPSIs to maintain identifiable reserves backing their outstanding payment stablecoins on at least a 1:1 basis and identifies eight types of permissible reserve assets, including shares issued by investment companies registered under the 1940 Act that limit their portfolio investments to the type of reserve assets in which a PPSI is permitted to hold directly (“Qualifying Registered Funds”).³ The inclusion of Qualifying Registered Funds as a type of permissible reserve asset reflects Congress’ trust in the foundational and comprehensive safeguards provided under the 1940 Act, namely board of director oversight, daily valuation and liquidity, transparency through periodic public reporting, and strict custody requirements with eligible custodians (typically bank custodians).

³ See 12 U.S.C. § 5903(a)(1)(A)(vi).

Qualifying Registered Funds that are regulated as “government money market funds”⁴ under Rule 2a-7 under the 1940 Act (“Qualifying Registered Money Funds”) are specifically designed for short-term cash management and particularly well suited to serve as reserve assets for PPSIs. Government money market funds function as low cost, efficient, transparent, cash management vehicles that offer market-based rates of return and currently manage more than \$6.2 trillion on behalf of retail investors, corporations, municipalities, and other institutional investors.⁵ Qualifying Registered Money Funds are subject to more stringent portfolio limitations related to quality, maturity, diversification, and liquidity than conventional registered mutual funds. Rule 2a-7 also limits interest rate risk, spread risk, and liquidity risk by requiring money market funds to maintain a dollar-weighted average portfolio maturity that cannot exceed 60 calendar days and a dollar-weighted average portfolio life to maturity that cannot exceed 120 calendar days.⁶ The GENIUS Act and the Proposed Rules would be stricter still, significantly narrowing the permissible investment universe under Rule 2a-7 for Qualifying Registered Money Funds.

In light of the comprehensive regulatory framework and safeguards provided under the 1940 Act and Rule 2a-7, the Proposed Rules should facilitate, not restrain, PPSIs that choose to maintain their reserve assets in Qualifying Registered Money Funds and other Qualifying Registered Funds. A meaningful percentage of stablecoin reserve assets are currently maintained in government money market funds—in part, due to features such as intra- or same-day settlement and professional management with a successful track record of minimizing principal volatility and managing liquidity and interest rate risk.⁷

⁴ Under Rule 2a-7, a “government money market fund” is a money market fund that invests 99.5% or more of its total assets in cash, government securities, and/or repurchase agreements that are collateralized fully by cash and/or repurchase agreements. See 17 C.F.R. § 270.2a-7(a)(14).

⁵ See ICI Release: Money Market Fund Assets (Apr. 22, 2026), *available at* <https://www.ici.org/research/stats/mmf>.

⁶ See 17 C.F.R. § 270.2a-7(d)(ii)-(iii).

⁷ The OCC noted in the Proposing Release that PPSIs should be mindful of interest rate risk and its role “in the failures of previous money market funds, whose investments, like those of [PPSIs], were supposed to be limited to short-duration safe assets,” citing that interest rate risk led to two failures of money market funds in the United States. It is important to place these two instances in the proper context: idiosyncratic events that occurred over 30 years ago and before Rule 2a-7 was substantially amended to tighten the rule’s risk-limiting conditions, including conditions that address interest rate risk. Since that time, notwithstanding periods of interest rate volatility and market stress, no government money market fund has “broken the buck” or been close to doing so. In fact, government money market funds are often the vehicle of choice for investors seeking to preserve or bolster their liquidity. In March 2020 alone, at the height of the COVID-19 pandemic, government money market funds saw substantial *inflows*—approximately \$834 billion. See ICI Report: “Experiences of US Money Market Funds During the COVID-19 Crisis,” Report of the COVID-19 Market Impact Working Group (November 2020), *available at* https://www.ici.org/system/files/private/2021-04/20_rpt_covid3.pdf.

Permissible Reserve Assets

Below we offer specific comments on three aspects of the Proposed Rules' permissible reserve assets provisions.

Qualifying Registered Funds

The Proposed Rules track the GENIUS Act and include as a category of permissible reserve assets securities issued by an investment company registered under the 1940 Act, “or other registered Government money market fund, and that are invested solely in underlying assets described in” the preceding paragraphs of the applicable section. On its face, this language states that registered investment companies that are not government money market funds are permissible reserve assets for PPSIs to the extent that their portfolios are comprised of the type of reserve assets that a PPSI may hold directly. However, Question 44 in the Proposing Release highlights a potential alternative reading that could limit this category of permissible reserve assets to Qualifying Registered Money Funds only. Registered investment companies that are not government money market funds but that nevertheless comply with the permissible reserve asset requirements—including but not limited to ultra-short term Treasury mutual funds and ETFs—should also qualify as permissible reserve assets for PPSIs. The OCC should confirm this reading in the final rule. Together with the foundational safeguards under the 1940 Act described above and the permissible reserve asset requirements, this category of permissible reserve assets should not be limited beyond what was expressly contemplated in the GENIUS Act.

Cash Collateral

Question 45 of the Proposing Release asks if the “OCC [should] provide that deposits can serve as collateral for repurchase agreements.” The OCC should state that permissible reserve assets include qualifying repurchase agreements collateralized, in part, by cash as well as qualifying reverse repurchase agreements collateralized, in part, by cash. Under the Act, cash is considered a permissible reserve asset in its own right, and its service as part of the collateral in qualifying repurchase agreements and qualifying reverse repurchase agreements would be appropriate and consistent with current industry practices. A view to the contrary could inhibit the usage of overnight repurchase agreements as a source of liquidity and yield for PPSIs without any clear benefit.

Qualifying Registered Funds that Invest in Other Qualifying Registered Funds

The OCC should clarify that a Qualifying Registered Fund may permissibly invest in another Qualifying Registered Money Fund or other Qualifying Registered Fund in the normal course of operations, such as in a fund of funds or master-feeder arrangement or in a circumstance where a fund receives a large subscription and is temporarily investing the cash proceeds prior

to investing in other permissible reserve assets. We recommend that the OCC confirm that these may serve as permissible reserve assets.

Reserve Asset Diversification Requirements

Section 4(a)(4)(A)(iii) of the GENIUS Act requires the OCC to issue regulations implementing “reserve asset diversification, including deposit concentration at banking institutions, and interest rate risk management standards” that (1) are tailored to the business model and risk profile of PPSIs and (2) do not exceed standards that are sufficient to ensure the ongoing operations of PPSIs. To implement this directive, the OCC proposes two options—Option A and Option B—only one of which would be adopted. Option A would include a principles-based general requirement to maintain reserve assets that are sufficiently diverse to manage potential credit, liquidity, interest rate, and price risks. Option A would also include an optional safe harbor containing quantitative requirements. Option B would make the quantitative requirements mandatory for all PPSIs.⁸

The OCC stated in the Proposing Release that it “expects that it would be unlikely ... [that a PPSI] ... could satisfy the requirements in [the Proposed Rules] by placing all its reserve assets at a single eligible financial institution.”

Deposit Concentration and Eligible Financial Institutions

While we broadly support prudent reserve asset diversification requirements to achieve the objectives of the GENIUS Act, the Proposed Rules would unnecessarily extend reserve asset diversification requirements well beyond addressing the risks posed by deposit concentration and traditional counterparty risk. Imposing a 40% limit on securities custodied at any one eligible financial institution does not further the statutory objective of reserve asset diversification and introduces cost and complexity by requiring oversight of additional custodial relationships. The Act’s text explicitly references deposit concentration at banking institutions

⁸ Under the quantitative requirements under either Option A or Option B, a PPSI would need to maintain:

1. at least 10% of its reserve assets as deposits or insured shares payable upon demand or money standing to the credit of an account with a Federal Reserve Bank (no more than 50% of this amount may be held at any one “eligible financial institution”);
2. at least 30% of its reserve assets as described in (1) above or amounts receivable and due unconditionally within five business days on pending sales of reserve assets, maturing reserve assets, or other maturing transactions;
3. no more than 40% of its reserve assets at any one eligible financial institution, whether as deposits or insured shares at any one insured depository institution, securities custodied at any one eligible financial institution, bilateral reverse repurchase agreements with any counterparty, or through other exposures; and
4. reserve assets with a weighted average maturity of no more than 20 days.

to highlight the primary objective of reserve asset diversification: limiting instances of reserve asset exposure to a single institution.⁹ However, reserve assets held in a custody account with an eligible financial institution do not pose the same risks as deposits held in a deposit account with that institution. Unlike a deposit account, securities held in a custody account with a bank are not assets of the bank and generally would not be part of the bank's estate in the event it is placed into receivership.¹⁰

The OCC's interpretation of the Act's requirements on reserve asset diversification as "including the number of eligible financial institutions holding a [PPSI's] reserve assets" goes beyond the plain meaning of the legislative text. The Act makes no mention of concentration of custodial arrangements as an area of concern, either in the section relating to reserve asset diversification or the separate section on custody. In fact, a PPSI would be permitted to maintain and control *all of its own* reserve assets directly under this requirement.¹¹ Requiring PPSIs that use custodians to maintain and oversee multiple custodial relationships would be costly and inconsistent with market practice. Managing the limits across separate custodians would also introduce operational complexity without any clear benefit. Accordingly, such a requirement would not be tailored to the risk profile of PPSIs and would exceed standards that are sufficient to ensure the ongoing operations of PPSIs.

For similar reasons, requiring PPSIs to maintain no more than 40% of their reserve assets with any single Qualifying Registered Fund would not further the objectives of the GENIUS Act and would interfere with current market practices that have worked well and without incident. As discussed above, Qualifying Registered Funds are subject to their own strict custody requirements and typically maintain custody of their portfolio holdings with bank custodians

⁹ The phrase "including deposit concentration at banking institutions" was intentionally added to the GENIUS Act during post-committee negotiations on S. 919 between March 18 and May 1, 2025, and appeared in the first published text of S. 1582 which later became the Act.

¹⁰ See generally OCC, *Are my assets safe with a bank custodian?* (April 2021) ("Assets held by banks in a custodial capacity do not become assets or liabilities owned by the bank. If a bank is bought or fails, custody assets remain the property of the account owner. They are not subject to the claims of the bank's creditors."), available at <https://www.helpwithmybank.gov/help-topics/investments-trusts/bank-custodians/bank-custodian-safe.html>. In the event of a bank failure, on the other hand, uninsured deposits would represent unsecured claims against the applicable bank.

¹¹ See Proposing Release, at footnote 55 ("A permitted payment stablecoin issuer that maintains ownership and control of all of its own reserve assets, rather than relying on separate eligible financial institutions, may be able to satisfy the principles-based general diversification and concentration requirement in Option A, depending on the permitted payment stablecoin issuer's particular circumstances. While explicitly requiring all permitted payment stablecoin issuers to maintain some reserve assets at a third-party eligible financial institution may help promote confidence that a permitted payment stablecoin issuer's reserve assets are diversified across multiple eligible financial institutions, such a requirement may be unnecessary if the permitted stablecoin issuer is able to establish its own secure control over the reserve assets.").

under the supervision of a fund's board of directors.¹² A registered investment company's custody agreement with a bank is typically far more extensive than the arrangements used for other bank clients. The custodian's services generally include safekeeping and accounting for the fund's assets, settling securities transactions, receiving dividends and interest, providing foreign exchange services, paying fund expenses, reporting failed trades, reporting cash transactions, monitoring corporate actions at portfolio companies, and tracing loaned securities. The strict rules on the custody and reconciliation of fund assets are designed to prevent theft and other fraud-based losses.¹³ While a PPSI may choose to hold multiple Qualifying Registered Funds as reserve assets, it should not be required to do so.¹⁴ We recommend that the OCC confirm in the final rule that the 40% diversification limit does not apply to reserve assets held in the form of shares of Qualifying Registered Funds.

Weekly Liquid Assets

The quantitative requirements under either Option A or Option B would also require a PPSI to "maintain at least 30 percent of its reserve assets as deposits or insured shares payable upon demand, money standing to the credit of an account with a Federal Reserve Bank, or amounts receivable and due unconditionally within five business days on pending sales of reserve assets, maturing reserve assets, or other maturing transactions." For the avoidance of doubt, we recommend that the OCC clarify that Qualifying Registered Funds are eligible to be included within this 30% "weekly" liquid asset basket.

Under Section 22(e) of the 1940 Act, Qualifying Registered Funds generally may not suspend the right of redemption or postpone the payment of redemption proceeds for more than seven days. In practice, however, most securities transactions are required to settle within one business day (T+1), and most money market funds offer investors same-day (T+0) settlement under normal circumstances. Moreover, Qualifying Registered Money Funds routinely offer intra-day settlement. These reasons support OCC confirming in the final rule that shares of Qualifying Registered Funds qualify for inclusion within the 30% "weekly" liquid asset basket.

¹² See 15 U.S.C. § 80a-17(f) (setting forth the statutory requirements for registered investment company custodial arrangements).

¹³ See *generally* ICI Research Report: How US-Registered Investment Companies Operate and the Core Principles Underlying Their Regulation (May 2022), available at <https://www.ici.org/system/files/2023-06/us-reg-funds-principles.pdf>.

¹⁴ Qualifying Registered Funds are also subject to their own asset diversification and liquidity requirements under the 1940 Act and rules thereunder. See 15 U.S.C. § 80a-5 and 17 C.F.R. § 270.22e-4, respectively.

Weighted Average Maturity Calculation

Under the Proposed Rules, a PPSI's weighted average maturity ("WAM") would be computed as the sum of the product of each reserve asset's (1) remaining maturity and (2) percentage of the total pool of reserve assets (based on principal value). Additionally, a deposit or insured share payable upon demand would have a WAM of zero. However, the OCC invited comments on whether the Proposed Rules should include an express definition of WAM, particularly whether the OCC should adopt the same definition of WAM used in Rule 2a-7.

While we agree that the Proposed Rules should include a specific methodology to calculate WAM, we do not believe that the methodology used in Rule 2a-7 (which includes certain "maturity-shortening provisions" in the case of a security subject to a demand feature or interest rate reset) is appropriate for reserve assets for stablecoins because of their different objectives and use cases. Whereas payment stablecoins represent redemption-backed liabilities, money market funds are investment products that seek to maintain stability of net asset value.

Instead, the final rule should calculate maturity as the period remaining until the date on which, in accordance with the terms of the security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made. For example, in the context of a Qualifying Registered Money Fund that has agreed to pay redemption proceeds within one business day, the maturity of that Qualifying Registered Money Fund for WAM purposes should be one business day.

Variable Capital Charges

In the Proposing Release, the OCC noted that it is considering a variable capital component tied more directly to the credit risk of reserve assets, rather than the capital requirement in the Proposed Rules.¹⁵ Under this approach, a capital charge would apply to reserve assets that are uninsured deposits, reverse repurchase agreements, and money market funds. The OCC also noted in the Proposing Release that it could consider, in connection with this approach, requiring a "look through" to the underlying assets of a money market fund.¹⁶

We agree with the OCC that "imposing a capital charge on these types of reserve assets could incentivize permitted payment stablecoin issuers to hold reserves in other types of assets that could be subject to lower or no specific capital charge." In the Proposing Release, the OCC noted that it "does not want to discourage stablecoin issuers from investing reserve assets in

¹⁵ The Proposed Rule would require all PPSIs to calculate a minimum capital requirement based on an evaluation of the risks associated with its business model and risk profile.

¹⁶ The Proposing Release notes that this could be similar to the capital requirement for a national bank's equity exposure to an investment fund in 12 C.F.R. § 3.53 (which imposes a minimum haircut of 20%).

certain permissible categories” and that the capital requirement included in the Proposed Rules is the preferred approach. We further agree that the “proposed asset diversification and liquidity requirements would help mitigate the risk of loss on reserve assets without imposing a financial capital requirement.” Applying such a variable capital charge and the related look through would disincentivize the investment of reserve assets by PPSIs in Qualifying Registered Funds and discourage overall diversification of reserve assets. We recommend that the final rule not include a variable capital charge or look through requirement for reserve assets held in Qualifying Registered Funds.

Separately Managed Accounts

Question 26 of the Proposing Release asks if the Proposed Rules should expressly clarify that hiring a separately managed account manager is a permissible activity for a PPSI. ICI recommends that the OCC do so. PPSIs or their affiliates may not be in the business of asset management. Indeed, hiring a separately managed account manager would support managing reserves, which is itself a permissible activity for PPSIs. A separately managed account manager also potentially could provide self-custody services, another permissible activity for PPSIs.

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We appreciate the opportunity to provide our comments on the Proposed Rules. If you have any questions or require additional information, please do not hesitate to contact Paul G. Cellupica, General Counsel, at paul.cellupica@ici.org, or Josh Weinberg, Associate General Counsel, at joshua.weinberg@ici.org.

Sincerely,

/s/ Paul G. Cellupica

Paul G. Cellupica
General Counsel