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# THE GENIUS ACT: Framework for U.S Stablecoin Issuance

President Donald Trump signed the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) into law, creating a clear regulatory framework for "payment stablecoins" backed by low-risk reserves like cash or Treasuries.



# What Are Stablecoins?

## Definition

Digital assets designed to maintain a fixed value attached to a national currency (i.e., US Dollar)

## Purpose

Serve as a convenient and cost-effective payment method, particularly for cross-border transfers

## Advantage

Lower transaction fees than traditional bank transfers with no additional hidden charges

# Key Provisions of the GENIUS Act



## Permitted Issuers Only

Only licensed entities can participate, helping to maintain records and accountability



## 100% Reserve Backing

Each stablecoin must be fully backed by high-quality liquid assets – one-to-one reserves consisting only of cash and U.S. Treasury debt



## Consumer Protection

Banking-like prudential rules on issuers – stablecoin reserves must remain liquid, and issuers may not use reserves for risky lending or investing



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# Aims of the GENIUS Act



Strengthen the U.S. Dollar's reserve currency status and bolster national security

Bring massive investment and innovation to the country

Ensure that U.S. Dollar continues to dominate as the world's reserve currency

Make America the crypto capital of the world

# Potential Benefits of Stablecoins

## Faster and Cheaper Payments

Help consumers avoid banking costs and allow near-instant, low-cost international transfers, particularly in nations with weak financial institutions

## Market Certainty

Clear rules resolve years of legal uncertainty in the cryptocurrency space

## Financial Inclusion

Provide digital currency and global trading access to the unbanked and less financially stable populations



# Risks and Considerations

## Fraud and Value Loss

Stablecoin payments are rapid and irrevocable, making them vulnerable to fraud and mistakes

## Limited Consumer Protections

May not be insured or provide recourse for fraud or bankruptcy, unlike bank deposits

## Financial System Risks

If stablecoins grow large, they could compete with bank deposits and affect the money supply and Rapid stablecoin expansion might complicate Fed policy or financial stability, even with regulation



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# Case Study: TerraUSD (UST) Collapse

## The System



Algorithmic stablecoin using "burn and mint" mechanism with LUNA token to maintain \$1 peg

## The Collapse



Massive selling of UST drove price below \$1, creating a "death spiral" as LUNA was over-minted

## The Lesson



Illustrated why 100%-backed stablecoins are crucial – Terra had no actual reserves, making it vulnerable to sudden sell-offs



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# Working

## The players

- UST = The dollar mimic (supposed to always be worth \$1)
- LUNA = The balancing coin (helps control UST's price)

## Goal

- To keep UST at \$1

## Working

1. When UST is above \$1  
This means UST is expensive and further system functions like
  - o You can trade \$1 worth of LUNA to mint 1 UST.
  - o Then, you sell that 1 UST for \$1.05 on the market.
  - o You just made a 5-cent profit!
  - o But... many people will do the same, so more UST floods the market.
  - o This increases supply and brings UST back down to \$1

**This means Supply up = Price down**

2. When UST is below \$1  
This means Ust is cheap and further system functions like
  - o You can trade 1 UST (worth \$0.95) to get \$1 worth of LUNA.
  - o You sell LUNA for profit!
  - o But to do that, the system burns (destroys) your UST.
  - o This reduces the supply of UST, making it scarcer, so the price goes up back to \$1.

**This means Supply down = Price up**

# Why U.S.A is Embracing Crypto and Stablecoins

## Economic Growth

Supporting startups, jobs and investment in blockchain and DeFi (Decentralized Finance)

## Dollar Preservation

Maintaining dollar dominance in global trade against other countries' digital currencies

## Payment Efficiency

Leveraging crypto networks that settle instantly, 24/7, across borders at a fraction of the cost

## Competitive Posture

Not falling behind in the global technological arms race as China and EU build national digital currencies

The U.S. government sees regulated crypto, anchored by the dollar, as a strategic asset rather than a threat.

# Comparison: India's CBDC vs. Stablecoins

<b>Dimension</b>	<b>India's CBDC Strengths</b>	<b>Stablecoin Strengths</b>
<b>Trust &amp; Stability</b>	<b>Sovereign guarantee by RBI</b>	<b>Transparent reserve audits (in some cases)</b>
<b>Monetary Policy</b>	<b>Can be used to implement fiscal tools directly</b>	<b>No role in monetary policy</b>
<b>Innovation</b>	<b>Controlled rollout, integrated with UPI</b>	<b>Open innovation in DeFi, lending, NFTs</b>
<b>Global Reach</b>	<b>Currently domestic focus</b>	<b>Borderless usage in crypto, remittances</b>
<b>Privacy</b>	<b>Limited and regulated</b>	<b>More privacy (but less regulatory oversight)</b>
<b>Programmability</b>	<b>Highly programmable for govt use</b>	<b>Flexible for developers in decentralized apps</b>
<b>Risk</b>	<b>Near-zero systemic risk</b>	<b>Peg risk, regulatory risk, reserve risk</b>

# Global Stablecoin Regulation Landscape

## USA

GENIUS Act with 1:1 reserve requirement (Cash/Treasuries)

## EU

MiCA (2023) with 1:1 reserve requirement (fiat only)

## UK

Pending FCA regulation with strong reserve rules

## Singapore

MAS Stablecoin Bill with 1:1 requirement and disclosures





Thankyou