VIEW POINT

NAVIGATING THE FUTURE OF DIGITAL FINANCE WITH THE GENIUS ACT

Abstract

The signing into law of the GENIUS Act of 2025 marks a historic moment in the regulation of digital currencies in the United States. Guiding and Establishing National Innovation for US Stablecoins – abbreviated to GENIUS – the Act sets clear rules for issuance, reserves, and compliance, leapfrogging the US to the forefront of global stablecoin regulation. This paper explores the implications of the new law for banks and financial institutions. It outlines strategic paths for banks to engage with stablecoins as issuers, partners, or infrastructure providers. The paper highlights how Infosys can guide financial institutions through this shift, supporting them with our deep expertise in payments and enterprise blockchain capabilities.

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INTRODUCTION

July 18, 2025, will be remembered as a turning point in the annals of crypto history.

On this date, US President Donald Trump signed the GENIUS Act, short for Guiding and Establishing National Innovation for US Stablecoins1, into law. It marked what the President termed 'Crypto Week.' The landmark legislation sets clear boundaries for stablecoin issuance: who can issue stablecoins, how they must be backed, and which models are no longer allowed, yield-bearing and algorithmic stablecoins models among them. It closes the regulatory gap that has left it trailing in other jurisdictions across the world, including the EU, Hong Kong, Singapore, and the UAE. The GENIUS Act, according to its supporters, puts the US in pole position to lead the global crypto race.

WHAT THE GENIUS ACT REQUIRES

To qualify under the Act, both bank and non-bank issuers must be authorized by the Office of the Comptroller of Currency (OCC) in the US.

Stablecoins must be fully backed 1:1 by cash or cash-equivalent reserves, such as short-term US Treasurys held in segregated accounts and audited by independent firms each month. Issuers are also barred from paying interest on balances, preventing conflict with banking regulations.

Further, the Act brings stablecoin issuers under the Bank Secrecy Act (BSA), mandating strict compliance with anti-money laundering (AML), Know Your Customer (KYC), and sanctions regulations. Issuers with less than US $10 billion in stablecoins issuance will face state-level oversight, while those exceeding the threshold will fall under federal jurisdiction.

For banks, the GENIUS Act transforms stablecoins from speculative crypto assets into regulated financial products, presenting both new challenges and significant opportunities to shape their digital offerings. At its core, the GENIUS Act defines and protects stablecoins as near-cash instruments, not speculative assets. By mandating transparency and proof-of-reserve requirements, the Act aims to guard against systemic risks.

IMPLICATIONS FOR BANKS: A DOUBLE WHAMMY?

There have been growing concerns that the GENIUS Act could trigger a deposit flight, as consumers move funds from traditional bank accounts into stablecoins.

This shift, undermining core deposits, could lead to an increase in liquidity requirements for stablecoin issuers, likely exceeding traditional reserves held for comparable fiat products.

If stablecoin adoption accelerates, banks could face liquidity constraints that impact their ability to lend. This, in turn, would raise the cost of funds for banks. As the lending capacity of banks contracts, businesses and consumers may explore other areas for their needs. Private credit markets could see increased demand, while alternative financing sources like buy-now-pay-later (BNPL) providers and non-bank lenders further expand their footprint.

This would require banks to adapt operationally. They would need to ensure that their risk management frameworks, compliance systems, and internal processes are modified to support stablecoin issuance and custody. Finally, if customers increasingly prefer privately issued stablecoins over those issued by the bank for day-to-day payments, banks also stand to lose fee-based income in the form of interchange fees, overdraft charges, and other transaction revenue.

> **“Stablecoins present an opportunity for banks to reinvent their treasury offerings from first principle.”**

HOW BANKS CAN SHAPE THEIR STABLECOIN OFFERINGS

As stablecoins move into the regulatory mainstream, banks can choose to either enter the market directly or offer their services in partnership.

This presents an opportunity to either issue their own branded stablecoins, or partner with existing stablecoin providers such as Circle or Paxos. As a third option, they can provide banking services to stablecoin issuers, acting as custodians of stablecoin reserves or offering off-ramp and general banking services, and generating fee-based revenue in the process.

Should banks choose to issue their own stablecoins, they can earn interest from reserves such as short-term Treasurys or commercial paper. Stablecoins also enable banks to reimagine B2B payment offerings for corporate clients by bypassing the traditional friction-heavy, time-consuming, and cost-prohibitive correspondent banking model. Corporate clients can leverage stablecoins for supplier payments and payroll.

Further, stablecoins can transform remittance services. Today, customers incur 3-7% remittance fees. With stablecoins, banks could reduce remittance costs to around 1%.

Finally, stablecoins present an opportunity for banks to reinvent their treasury offerings from first principle. With instant settlement and programmable money, banks can also provide their customers with a real-time view of their liquidity positions.

HOW INFOSYS CAN HELP

Infosys offers a comprehensive, phased approach to help banks and financial institutions navigate their stablecoin journey under the GENIUS Act, whether they choose to become issuers or integrators.

With a dedicated Payments practice and deep domain expertise, Infosys has a strong understanding of the entire payments value chain, from card scheme networks and processors to merchant acquirers, payments service providers, clearing and settlement systems, digital wallets, and remittance platforms. We currently work with:

Four of the top global payment networks	**Four of the top five card issuers**	**Four of the top 10 merchant acquirers**

Our advisory services are driven by our proprietary IMPACT Framework, designed to guide banks in their stablecoin journey. Based on the digital maturity of the client, Infosys supports two key engagement models: one for banks that take the issuer path to launch their own stablecoins, and another for those that opt to support stablecoin infrastructure without direct issuance.

Infosys has delivered over 100 client projects, with more than 12 live blockchain networks and over 30 partnerships. Leading analyst firms have consistently recognized us as a leader in enterprise blockchain. Our ecosystem partnerships include tokenization platforms such as R3 Corda and Ripple, wallet providers such as Metamask, blockchain networks including Ethereum, Hyperledger, and Polygon, besides stablecoin issuers and custody platforms.

We work with multinational banks across Europe, the Middle East, and Asia on cross-border payments and digital transformation. Finacle, our cloud-native banking platform, serves over 1.3 billion accounts across more than 100 countries. Our teams bring deep expertise in KYC/AML, fraud detection, and Travel Rule compliance for digital assets. We also help banks:

- Build adaptors for core banking, treasury, and ERP systems to reduce integration costs
- Implement blockchain and stablecoin infrastructure
- Enhance operational, risk management, and compliance frameworks
- Develop account aggregation application programming interfaces (APIs) to offer customers a unified view of both fiat and stablecoin balances

CONCLUSION

The GENIUS Act aims to transform stablecoins into a regulated product, creating both challenges and opportunities for banks and financial institutions.

While there are concerns around fee compression, deposit flight, and compliance complexities, there are positive aspects to consider as well. Faster cross-border payments, better treasury management, and innovation within digital finance carry hope. Banks and financial institutions can seize opportunities in issuing stablecoins, partnering with trusted providers, or offering infrastructural services. Those that adapt and act now can redefine their role in an evolving digital finance ecosystem.

Infosys is well-positioned to help unlock the potential of stablecoins. We invite banking and payments leaders to join us in exploring stablecoin strategies, assessing regulatory readiness, and co-creating the next generation of digital finance. Let us turn compliance into competitive advantage and innovation into impact.

About the Author

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Dharmendra Choudhari, popularly known as DC, is a Senior Business Development Manager (Financial Services) at Infosys. A payments and financial services professional, he has over 20 years of experience in IT sales, business development, account management, and client relationship management. In his current role, DC helps clients unlock business value by streamlining processes, optimizing existing assets, and leveraging Infosys platforms and solutions to accelerate their digital transformation journey. He also leads Infosys's global Payments Center of Excellence.

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1. **Congress.Gov** S.5182 – GENIUS Act

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