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GENIUS Act Ushers in New Era for Stablecoin Regulation

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The recently passed GENIUS Act has been hailed by financial services giant Mastercard as a pivotal moment for stablecoin regulation, marking a significant step toward integrating regulated stablecoins into mainstream finance. The legislation allows licensed banks and corporations to issue stablecoins pegged to the US dollar, provided they adhere to stringent reserve requirements, transparency obligations, and regulatory compliance standards.

In a recent interview with the *Financial Times*, Jesse McWaters, Mastercard's Senior Vice President and Global Head of Regulatory Advocacy, described the Act as a catalyst for institutional investment and a more secure regulatory framework for stablecoins. He emphasised that Mastercard has been preparing for this shift for years, engaging with both crypto and traditional finance sectors to explore how stablecoins can enhance payment infrastructure. The company has also invested heavily in its Multi-Token Network and Crypto Credential platforms, which aim to streamline settlement processes, bolster security, and ensure compliance while preserving the flexibility that makes stablecoins appealing.

Major corporations, including Amazon and Apple, are reportedly exploring stablecoin investments, while executives at JPMorgan, Citigroup, and Bank of America have hinted at similar ambitions. There are also whispers of a potential partnership between several banks and Zelle to launch a joint stablecoin. Summer Mersinger, CEO of the Blockchain Association, praised the GENIUS Act for its focused approach, arguing in a statement to Reuters that it "provides regulatory clarity, protects consumers, fosters innovation, and reinforces the US dollar's dominance in digital finance."

However, not everyone shares this enthusiasm. Corey Frayer, director of Investor Protection at the Consumer Federation of America, has voiced serious concerns. In an interview with The Wall Street Journal, Frayer warned, "The GENIUS Act allows stablecoin issuers to bypass traditional banking safeguards, offering consumers a dollar equivalent that lacks federal deposit insurance, interest, or robust protections. This is a risky trade-off." He pointed to historical examples where lax oversight led to financial instability, urging caution.

Sceptics also question whether stablecoins will deliver promised cost savings. Many companies view them primarily as tools for back-end operations, such as reducing merchant fees or simplifying cross-border transactions. Yet doubts persist about their efficiency and broader value.

Further scrutiny surrounds the involvement of President Trump and his family in the crypto space, particularly their ties to World Liberty Financial, which has reportedly generated over \$500 million since its launch. Critics argue this raises questions about potential conflicts of interest and the impartiality of the Act's implementation.

Another concern is the potential for market fragmentation, with privately issued stablecoins creating a patchwork of currencies that could confuse consumers. Some propose a

centralised app to manage these assets, but this would require users to navigate crypto wallets, introducing complexities and security risks.

While the GENIUS Act signals a bold step towards embracing digital finance, it has sparked a polarised debate. Proponents see it as a gateway to innovation and global competitiveness, while critics warn of regulatory gaps and consumer vulnerabilities. As stablecoins edge closer to mainstream adoption, their success will hinge on balancing innovation with trust and stability.