Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 706

RIN 3133–AF69

Investments in and Licensing of Permitted Payment Stablecoins Issuers

AGENCY: National Credit Union Administration (NCUA).

ACTION: Proposed rule.

SUMMARY: The NCUA Board (Board) is seeking comment on proposed regulations to implement portions of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act). The GENIUS Act charges the NCUA with licensing, regulating, and supervising payment stablecoin issuers that are subsidiaries of federally insured credit unions (FICU subsidiaries). The GENIUS Act also requires the NCUA to issue implementing regulations by July 18th, 2026. This proposed rule proposes regulations to implement the statutorily required process for approval and licensure of permitted payment stablecoin issuers (PPSIs) subject to the NCUA's jurisdiction. It also proposes regulations limiting FICUs to investing in NCUA-licensed PPSIs. A forthcoming proposal will propose regulations to implement the standards and restrictions imposed by the GENIUS Act on PPSIs.

DATES: Comments must be received by April 13, 2026.

ADDRESSES: Comments may be submitted in one of the following ways. (Please send comments by one method only):

• *Federal eRulemaking Portal: https://www.regulations.gov.* The docket number for this proposed rule is NCUA–2025–1335. Follow the ''Submit a comment'' instructions. If you are reading this document on *federalregister.gov*, you may use the green ''SUBMIT A PUBLIC COMMENT'' button beneath this rulemaking's title to submit a comment to the *regulations.gov* docket. A plain language summary of the proposed rule is also available on the docket website.

• *Mail:* Address to Melane Conyers-Ausbrooks, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314–3428.

• *Hand Delivery/Courier:* Same as mailing address.

Mailed and hand-delivered comments must be received by the close of the comment period.

Public inspection: Please follow the search instructions on *https://www.regulations.gov* to view the public comments. Do not include any personally identifiable information (such as name, address, or other contact information) or confidential business information that you do not want publicly disclosed. All comments are public records; they are publicly displayed exactly as received, and will not be deleted, modified, or redacted. Comments may be submitted anonymously. If you are unable to access public comments on the internet, you may contact the NCUA for alternative access by calling (703) 518–6540 or emailing *OGCMail@ncua.gov.*

FOR FURTHER INFORMATION CONTACT:

Office of Examination and Insurance: Amanda Parkhill, at (703) 518–6385 or at 1775 Duke Street, Alexandria, VA 22314.

Office of General Counsel: Thomas Zells and Rachel Ackmann, Senior Staff Attorneys; or Ariel Woodard-Stephens, Staff Attorney at (703) 518–6540 or at the above address.

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I. Background

On July 18, 2025, President Trump signed the GENIUS Act into law. The GENIUS Act establishes a regulatory framework for payment stablecoins and provides pathways for regulation at both the Federal and State level.

Under the GENIUS Act, ''insured depository institutions,'' which the Act defines to include both FDIC-insured depository institutions and FICUs (collectively referred to as ''IDIs''), cannot be issuers of payment stablecoins. Instead, IDIs must use ''subsidiaries'' as issuers. The GENIUS Act defines the term ''subsidiary of an insured credit union'' to mean ''(A) an organization providing services to the insured credit union that are associated with the routine operations of credit unions, as described in section 107(7)(I) of the Federal Credit Union Act (12 U.S.C. 1757(7)(I)); (B) a credit union service organization, as such term is used under part 712 of title 12, Code of Federal Regulations, with respect to which the insured credit union has an ownership interest or to which the insured credit union has extended a loan; and (C) a subsidiary of a State chartered insured credit union authorized under State law.'' The GENIUS Act requires that issuers that are subsidiaries of IDIs (including subsidiaries of FICUs) must be regulated by the primary Federal payment stablecoin regulators and does not allow them to opt for the state-level regulatory framework. Thus, the NCUA has jurisdiction over payment stablecoin issuers that are FICU subsidiaries.

Under the GENIUS Act, only PPSIs may issue a payment stablecoin in the United States, subject to certain

exceptions and safe harbors. PPSIs are subject to a number of requirements, including requirements related to reserves, capital, liquidity, illicit finance, and information technology risk management standards. For example, PPSIs must maintain reserves backing the stablecoin on a one-to-one basis using U.S. currency or certain other liquid assets, as specified. PPSIs must also publicly disclose their redemption policy and publish monthly the details of their reserves.

The GENIUS Act details the process for the primary Federal payment stablecoin regulators, which include the NCUA, the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Board of Governors of the Federal Reserve System (Federal Reserve Board), to evaluate and review applications for licenses to be PPSIs and provides examination, supervision, and enforcement authority over PPSIs. Other issues addressed in the GENIUS Act include the provision of custody services for payment stablecoins; application of the Bank Secrecy Act and anti-money laundering and economic sanctions requirements; and treatment of payment stablecoin issuers in insolvency proceedings.

The GENIUS Act establishes clear prohibitions and penalties to prevent the misrepresentation of Federal backing or insurance for payment stablecoins and to ensure that only authorized products may be marketed as such.[1] The Act explicitly dictates that payment stablecoins are not backed by the full faith and credit of the United States, they are not guaranteed by the U.S. Government, nor are they covered by deposit or share insurance from the FDIC or NCUA. Similarly, it is unlawful to market any product as a ''payment stablecoin'' in the United States unless it is issued pursuant to the GENIUS Act's procedures.[2]

As detailed below, the GENIUS Act imposes a number of rulemaking, review, and reporting requirements on the primary Federal payment stablecoin regulators, including the NCUA. This proposal proposes regulations to implement the statutorily required process for licensure of PPSIs subject to the NCUA's jurisdiction. It also proposes regulations limiting FICUs to investing in NCUA-licensed PPSIs. A forthcoming proposal will propose regulations to implement the standards and restrictions imposed by the GENIUS Act on PPSIs.

[1] *See* 12 U.S.C. 5903(e).

[2] 12 U.S.C. 5903(e)(3).

Separately, as is required by the GENIUS Act, the NCUA is engaging in a required review of its existing guidance and regulations to determine what steps are necessary, if any, to amend or promulgate new regulations and guidance to clarify FICUs' authority to engage in the payment stablecoin activities and investments contemplated by the GENIUS Act.

In addition to the above, the GENIUS Act requires the NCUA to examine and supervise issuers that are FICU subsidiaries. Thus, the NCUA is working to update various NCUA examination policies, guidance, and procedures, such as the National Supervision Policy Manual and Examiner's Guide, to accommodate the new examination and supervision authority over FICU subsidiaries. The NCUA is also working to determine whether further guidance to FICUs and FICU subsidiaries may be necessary on these subjects.

II. Legal Authority

As discussed in Section I. Background of this **SUPPLEMENTARY INFORMATION** section, the NCUA is a primary Federal payment stablecoin regulator with respect to a FICU or FICU subsidiary.[3] As a primary Federal payment stablecoin regulator, the GENIUS Act provides authority for the NCUA to approve and license issuance of payment stablecoins through FICU subsidiaries,[4] establish regulations for issuing payment stablecoins,[5] and examine for and enforce applicable requirements imposed on FICU subsidiaries.[6] The GENIUS Act also confers authority related to standards for custody of payment stablecoin reserves.[7] The GENIUS Act grants the NCUA general authority to promulgate regulations to carry out the GENIUS Act through appropriate notice and comment rulemaking.[8]

Apart from the GENIUS Act, the FCU Act grants the NCUA a broad mandate to issue regulations governing both Federal Credit Unions (FCUs) and all FICUs. Section 120 of the FCU Act is a general grant of regulatory authority, and it authorizes the Board to prescribe rules and regulations for the administration of the FCU Act.[9] Section 209 of the FCU Act is a plenary grant of regulatory authority to the NCUA to issue rules and regulations necessary or appropriate to carry out its role as share insurer for all FICUs.[10]

Additionally, Section 204 of the FCU Act authorizes the Board, through its examiners, ''to examine any [federally] insured credit union . . . to determine the condition of any such credit union for insurance purposes.'' [11] Section 206(e) of the FCU Act authorizes the Board to take certain actions against a FICU, if, in the opinion of the Board, the credit union ''is engaging or has engaged, or the Board has reasonable cause to believe that the credit union or any institution affiliated party is about to engage, in any unsafe or unsound practice in conducting the business of such credit union.'' [12] Therefore, the Board has statutory authority to determine whether a FICU is operated in an unsafe or unsound manner and terminate a FICU's insurance if a FICU is not operated in a safe or sound manner.

III. Proposed Rule

The Board interprets the GENIUS Act to limit PPSI status to those institutions functioning as a subsidiary of an insured depository institution (including a FICU),[13] a Federal qualified payment stablecoin issuer,[14] and a State qualified payment stablecoin issuer.[15]

[3] 12 U.S.C. 5901(25)(B).

[4] 12 U.S.C. 5904.

[5] 12 U.S.C. 5903(h).

[6] 12 U.S.C. 5905.

[7] 12 U.S.C. 5909.

[8] 12 U.S.C. 5913.

[9] 12 U.S.C. 1766.

[10] 12 U.S.C. 1789.

[11] 12 U.S.C. 1784.

[12] 12 U.S.C. 1786.

[13] As discussed throughout the proposed rule, the GENIUS Act uses banking-specific terminology when defining PPSIs. For example, the GENIUS Act uses the two defined terms ''subsidiary'' and ''insured depository institution'' without using the defined term, ''subsidiary of an insured credit union.'' With respect to subsidiaries of FICUs, the Board believes the defined terms ''subsidiary'' of an ''insured depository institution'' should be read referring to the defined term ''subsidiary of an insured credit union.'' Given that FICUs are defined as insured depository institutions, it appears reasonable to read the terms synonymously. Additionally, the GENIUS Act expressly provides that all subsidiaries of an insured credit union are subject to NCUA jurisdiction incorporating the defined term of ''subsidiary of an insured credit union'' into the definition of primary Federal payment stablecoin regulator. The term primary Federal payment stablecoin regulator is used for approvals under section 5 and it would be inharmonious for the NCUA to approve applications for issuers that otherwise are not subject to NCUA supervision.

[14] A Federal qualified payment stablecoin issuer includes (1) a nonbank entity, (2) an uninsured national bank, and (3) a Federal branch. A nonbank entity means a person that is not a depository institution or subsidiary of a depository institution. Therefore, FICUs and their subsidiaries would not qualify as a Federal qualified payment stablecoin issuer.

[15] A State qualified payment stablecoin issuer is an entity that is: (A) legally established under the laws of a State and approved to issue payment stablecoins by a State payment stablecoin regulator; and (B) is not an uninsured national bank chartered by the OCC, a Federal branch, an IDI, or a subsidiary of a national bank, Federal branch, or IDI. FICUs and FICU subsidiaries, including

FICUs are not permitted to issue stablecoins directly. However, the GENIUS Act provides that subsidiaries of IDIs may apply and be approved to be PPSIs. As FICUs are expressly defined as IDIs, FICU subsidiaries may apply for and receive approval and license under the GENIUS Act to be PPSIs.

Section 5 of the GENIUS Act establishes the procedures and standards for the ''approval of subsidiaries of insured depository institutions.'' [16] The NCUA is required to ''receive, review, and consider for approval applications'' to issue payment stablecoins through a FICU subsidiary and to ''establish a process and framework for the licensing, regulation, examination and supervision of such entities that prioritizes the safety and soundness of such entities.'' Section 5(a)(2) requires the NCUA to issue regulations to carry out section 5.[17] Section 5(g) further requires that the NCUA issue rules necessary for the regulation of the issuance of payment stablecoins.[18]

As explained in more detail later in this preamble, the GENIUS Act does not allow FICUs to directly issue payment stablecoins and instead provides that they must be issued through FICU subsidiaries that receive an NCUA–PPSI license. The Board has made certain decisions in implementing the GENIUS Act's application and licensing requirements that it believes will simplify the process and reduce the costs for the credit union industry and the NCUA. The Board discusses this approach in more detail later in this preamble, but wishes to provide a high-level summary so that interested parties understand why the Board has taken this nuanced approach and are able to appreciate the efficiencies it will allow in implementation.

The Board has preliminarily determined that it is preferrable for FICU subsidiaries themselves to submit the required applications to be an NCUA-licensed PPSI jointly with their FICU Parent Company(ies), as defined in this proposed rule, rather than having every single FICU investing in them submit an application. The Board's proposed approach would also require the applying FICU subsidiary, and any of its FICU Parent Companies and Principal Shareholders, to provide written certification that any filing or supporting material submitted to the NCUA contains no material misrepresentations or omissions. Further, as required by the GENIUS Act, all Directors and Officers of the applying FICU subsidiary, its FICU Parent Company(ies), and any of its Principal Shareholders would have to provide certain information so that the NCUA can evaluate their competence, experience, and integrity and ensure they do not have felony convictions prohibited by the GENIUS Act. Finally, the Board is proposing to limit FICUs to investing in NCUA-licensed PPSIs. The Board believes this limitation is consistent with the definition of FICU subsidiary in the GENIUS Act and should not pose a barrier to the credit union industry's ability to facilitate payment stablecoin services for their members.

The Board has chosen this approach because it believes it is most consistent with the intent of the GENIUS Act as applied to FICUs and FICU subsidiaries. The Board believes that if the NCUA required every single investing FICU to apply to the NCUA directly for PPSI licenses instead of the FICU subsidiary applying jointly with any FICU Parent Company(ies), a widely held applying FICU subsidiary would result in an unmanageable number of applications from each applying FICU. The Board is of the view that widely held FICU subsidiaries are likely and thinks that the chosen approach will minimize burdens on both the credit union industry and the NCUA.

The proposed approach requires the applying FICU subsidiary to work with FICUs and others investing materially in the subsidiary as part of the application process. The Board believes that the requirements for joint application and written certification that any filing or supporting material submitted to the NCUA contains no material misrepresentations or omissions will ensure that the applying FICU subsidiary and all material investors stand behind the application and understand what services they are intending to offer, their responsibilities, and their associated risks.

The Board understands that the approach taken in this proposed rule is nuanced. However, the Board believes that this nuance is key to ensuring that the NCUA fulfills its obligations in approving permitted payment stablecoin issuers under the GENIUS Act and minimizing the administrative burdens and costs on both the NCUA and the credit union industry. The Board also believes this approach better reflects standards and characteristics that are unique to the cooperative model in which credit unions operate

Request for Comment: The Board requests comment on the approach it has taken with regards to applications, certifications, and investment limitations and as to whether requiring each FICU investing in a PPSI to apply would be more prudent.

The NCUA is proposing the below procedures and standards for the approval of a license for a PPSI that is a FICU subsidiary. Each section of the proposed rule will be discussed separately.

A. § 706.1. Authority, Purpose, and Scope

The proposed rule would state that the NCUA is issuing part 706 under the GENIUS Act. Section 706.1 would state that part 706 applies to FICUs and all payment stablecoin issuers with investment or loans from FICUs and sets forth such entities' requirements for an NCUA-issued license. Finally, § 706.1 would state that there is nothing in this part that shall be read to limit the authority of the NCUA to take action under provisions of law other than the GENIUS Act, including action to address unsafe or unsound practices or conditions, or violations of law or regulation, under section 206 of the FCU Act.

B. § 706.2. Definitions

Proposed § 706.2 would provide the definitions used throughout part 706. It would state that, unless otherwise provided in part 706, the terms used in this part have the same meanings as set forth in 12 U.S.C. 1752 and 5901. It would also state that all accounting terms not otherwise defined in this part have meanings consistent with the commonly accepted meanings under United States generally accepted accounting principles (U.S. GAAP). Proposed § 706.2 would provide the following defined terms specific to part 706.

1. Applying Issuer

The proposed rule would define the term ''Applying Issuer'' to mean any entity applying to the NCUA for an NCUA–PPSI license. The proposed rule would use this term throughout part 706 to generally refer to any entity, whether licensed or approved as a PPSI or yet to be licensed or approved, that is applying for an NCUA–PPSI license. As is required in proposed § 706.103, an Applying Issuer must apply jointly with any insured credit union Parent Company(ies), as defined in the proposed rule.

CUSOs, therefore, would not qualify as a State qualified payment stablecoin issuer.

[16] 12 U.S.C. 5904.

[17] 12 U.S.C. 5904(a)(2).

[18] 12 U.S.C. 5904(g).

2. Director

The proposed rule would define the term ''Director'' to mean an individual who serves on the board of directors of an Applying Issuer, a Parent Company of the Applying Issuer, or a Principal Shareholder of the Applying Issuer. Under the proposed rule, individuals meeting the definition of a Director will generally need to complete the NCUA's Biographical and Financial Report so that the NCUA can verify their competence, experience, and integrity, as is required by the GENIUS Act.[19] The Directors and proposed Directors of an Applying Issuer will also generally need to provide legible fingerprints for a biometric based criminal history search so that the NCUA can evaluate whether any of these individuals have been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud as is required by the GENIUS Act.[20]

3. Issuing Group

The proposed rule would define the term ''Issuing Group'' to mean the Applying Issuer and Parent Company(ies) and the Officers, Directors, and Principal Shareholders, if applicable, of the Applying Issuer, its subsidiaries, and Parent Company(ies).

4. NCUA-Licensed Permitted Payment Stablecoin Issuer

The proposed rule would define an NCUA-Licensed Permitted Payment Stablecoin Issuer to mean a person formed in the United States that is a FICU subsidiary that has been approved and licensed by the NCUA under subpart A to issue payment stablecoins.

5. Officer

The proposed rule would define the term ''Officer'' to mean the president, chief executive officer, chief operating officer, chief financial officer, chief technology officer, chief lending officer, chief investment officer, chief risk officer, Bank Secrecy Act officer, and any other individual the NCUA identifies in writing to the Issuing Group who exercises significant influence over, or participates in, major policy making decisions of the Issuing Group without regard to title, salary, or compensation. The term also includes employees of entities retained by an Issuing Group to perform such functions in lieu of directly hiring the individuals. Under the proposed rule, individuals meeting the definition of an Officer will generally need to complete the NCUA's Biographical and Financial Report so that the NCUA can verify their competence, experience, and integrity, as is required by the GENIUS Act.[21] The Officers and proposed Officers of an Applying Issuer will also generally need to provide legible fingerprints for a biometric based criminal history search so that the NCUA can evaluate whether any of these individuals have been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud as is required by the GENIUS Act.[22]

6. Parent Company

The proposed rule would define the term ''Parent Company.'' The GENIUS Act requires that applications for a PPSI license granted by a primary Federal payment stablecoin regulator be evaluated using specifically defined factors.[23] One of these factors requires the NCUA to evaluate the competency, experience, and integrity of the Officers and Directors of the Applying Issuer's Parent Company(ies).[24] The proposed rule would define the term Parent Company to specify when a FICU must sign onto an application and when a FICU's Officers and Directors should be evaluated as part of an Applying Issuer's licensure application. The term Parent Company would also be used to determine when a FICU's investment in an NCUA-licensed PPSI requires prior notice as a change in control.

The proposed rule would define a Parent Company as ''an insured credit union(s) that will own, control or hold the power to vote 10 percent or more of any class of voting securities, or has the ability to direct the management or policies, of a Permitted Payment Stablecoin Issuer. If no insured credit union will own, control or hold the power to vote 10 percent or more of any class of voting securities, the FICU with the largest percentage of voting securities in relation to all other FICUs is considered the Parent Company.'' Under this definition, any FICU that owns 10 percent or more of a class of voting securities would be a Parent Company. Additionally, if no FICU owns 10 percent or more of a class of voting securities, then the FICU with the greatest percentage of a class of voting securities in relation to any other FICU is the Parent Company for purposes of an NCUA PPSI license. The definition would also provide that a FICU that has the ability to direct the management or policies of a PPSI would be considered a Parent Company. The Board believes it is important that the definition of Parent Company cover FICUs that have the power to direct the management or policies of a PPSI regardless of their ownership interests.

The proposed definition is derived from the FDIC's change of control regulations.[25] The intent of the definition is to capture only the FICUs that are most likely to control or direct the management and policies of the PPSI. Under the proposed definition, if there is an Applying Issuer that is widely held by FICUs, then only the FICUs with 10 percent or more of a class of voting securities would be considered Parent Companies. For example, if 87 FICUs have an ownership interest in an Applying Issuer, but 83 of those FICUs own less than 10 percent, the NCUA would only require the four FICUs that own 10 percent or more to jointly file the application.

As another example, if one FICU shareholder owns 8 percent of a class of voting securities and no other FICU shareholder owns 10 percent or more, then the FICU shareholder with 8 percent would be considered the Parent Company. Under the proposed definition, it does not matter if there are six other FICU shareholders that own 5 percent or if there is a non-FICU shareholder that owns 51 percent. However, if, instead, there is a FICU shareholder that owns 13 percent of a class of voting securities, then only the FICU with the 13 percent ownership would be considered the Parent Company.

The Board believes the definition is the best interpretation of the term Parent Company as used in the GENIUS Act and appropriately balances the NCUA's allocation of its resources with its statutory mandate under the GENIUS Act. While the GENIUS Act requires that the Board evaluate certain statutory factors related to the Officers and Directors of the Parent Company, the Board does not believe it is practical or consistent with congressional intent for the NCUA to review the Officers and Directors of each investing FICU. The Board also does not believe it is practical or consistent with congressional intent for the NCUA to review licensure applications from each

[19] *See* 12 U.S.C. 5904(c)(3).

[20] 12 U.S.C. 5904(c)(2).

[21] *See* 12 U.S.C. 5904(c)(3).

[22] 12 U.S.C. 5904(c)(2).

[23] 12 U.S.C. 5904(b)–(c).

[24] 12 U.S.C. 5904(c)(3).

[25] 12 CFR 303, subpart E. The Board is aware that the FDIC's change in control regulations provide a rebuttable presumption of control for less than 25 percent ownership of a class of voting securities, and that the 10 percent threshold depends, in part, on whether the bank is held publicly or privately. The Board did not adopt these additional elements to reduce the complexity in the proposed rule, but has solicited comment on the appropriate threshold.

investing FICU. Requiring this level of review would disadvantage Applying Issuers seeking NCUA licenses and FICUs investing in them as compared to proposed PPSIs and other IDIs seeking licenses from other primary Federal payment stablecoin regulators that may be more likely to have a single-parent ownership structure. It would also impose a prohibitive burden on the NCUA's resources, especially when considering the 120-day deadline the GENIUS Act imposes on the NCUA for rendering a decision on a substantially complete application.

In summary, the Board believes it is prudent to only require joint application filing and review of the Officers and Directors of an investing FICU when the FICU would have a material amount of control of the PPSI. The Board selected 10 percent as that is a reasonable threshold used for determining a material amount of control under certain banking laws.

Request for Comment: The Board specifically solicits comment on whether this is the appropriate threshold. Do commenters believe that a higher threshold would be appropriate? For example, 25 percent of any class of voting securities? If so, why? Should other factors be considered in evaluating control?

Request for Comment: Under the proposed definition, if no FICU owns 10 percent or greater of a class of voting securities, then the FICU(s) with the greatest ownership interest, even if that ownership is less than 10 percent, is the Parent Company. In theory, 100 FICUs could each own 1 percent and all would technically be considered the Parent Company. Is a widely held subsidiary with equal de minimis ownership interests likely? If so, should the Board adopt a provision such that the widely held group selects one FICU to be the Parent Company? The Board may consider adopting a provision that the widely held Issuing Group could designate the Parent Company(ies).

7. Principal Shareholder

The proposed rule would define the term ''Principal Shareholder.'' The GENIUS Act requires that applications for a PPSI license granted by a primary Federal payment stablecoin regulator be evaluated using specifically defined factors.[26] One of these factors requires the NCUA to evaluate the competency, experience, and integrity of the Officers and Directors of the Appling Issuer's Principal Shareholders.[27] The proposed rule would define a Principal Shareholder to mean ''a person other than an insured credit union that directly or indirectly or acting in concert with one or more persons or companies, or together with members of their immediate family, will own, control, or hold the power to vote 10 percent or more of any class of voting securities.'' Under this definition, any non-FICU that owns 10 percent or more of a class of voting securities would be a Principal Shareholder. The proposed rule would include the defined term of Principal Shareholder to specify when a non-FICU's Officers and Directors should be evaluated as part of an Applying Issuer's licensure application.

The proposed definition is derived from the FDIC's change of control regulations.[28] The intent of the definition is to capture only the non-FICUs that are most likely to have an ability to control or direct the management and policies of the PPSI. Under the proposed definition, if there is an Appling Issuer that is widely held by FICUs that also has non-FICU shareholders, then only the non-FICU shareholders with 10 percent or more of a class of voting securities would be considered Principal Shareholders.

The Board believes the definition is the best interpretation of the term Principal Shareholders as used in the GENIUS Act and appropriately balances the NCUA's allocation of its resources with its statutory mandate under the GENIUS Act. While the GENIUS Act requires that the Board evaluate certain statutory factors related to the Officers and Directors of the Principal Shareholders, the Board does not believe it is practical or consistent with congressional intent for the NCUA to review the Officers and Directors of each investing shareholder. Requiring this level of review would disadvantage Applying Issuers seeking NCUA licenses and FICUs investing in them as compared to proposed PPSIs and other IDIs, which are more likely to be wholly owned, seeking licenses from other primary Federal payment stablecoin regulators. It would also impose a prohibitive burden on the NCUA's resources, especially when considering the 120-day deadline the GENIUS Act imposes on the NCUA for rendering a decision on a substantially complete application.

In summary, the Board believes it is prudent to only review Officers and Directors of an investing shareholder when the investing shareholder would have a material amount of control of the PPSI. The Board selected 10 percent as that is a common threshold used for determining a material amount of control under banking law.

Request for Comment: The Board specifically solicits comment on whether this is the appropriate threshold. Do commenters believe that a higher threshold would be appropriate? For example, 25 percent of any class of voting securities? If so, why? Should other factors be considered in evaluating control?

Request for Comment: The Board also specifically solicits comment as to whether an NCUA-licensed PPSI should be permitted to have non-FICU investors or if there should otherwise be a cap on non-FICU investment.

8. Subsidiary of an Insured Credit Union

The definition of Subsidiary of an Insured Credit Union, or FICU subsidiary, in the GENIUS Act includes three separate prongs. Specifically, the GENIUS Act defines a ''subsidiary of an insured credit union'' to include the following:

(A) an organization providing services to the insured credit union that are associated with the routine operations of credit unions, as described in section 1757(7)(I) of this title;

(B) a credit union service organization, as such term is used under part 712 of title 12, Code of Federal Regulations, with respect to which the insured credit union has an ownership interest or to which the insured credit union has extended a loan; and

(C) a subsidiary of a State chartered insured credit union authorized under State law.[29]

Each prong is a separate and distinct avenue to qualify as a FICU subsidiary for purposes of being a PPSI. Each prong will be discussed separately below.

FCU Subsidiaries

An FCU subsidiary would have two avenues to qualify as a FICU subsidiary PPSI. First, the GENIUS Act, under the first prong, states that a FICU subsidiary includes ''an organization providing services to the insured credit union that are associated with the routine operations of credit unions, as described in section 1757(7)(I) of the FCU Act.'' [30] The GENIUS Act also provides, under the second prong of the definition, that a credit union service organization (CUSO) as defined in part 712 of the NCUA's regulations would meet the definition of FICU subsidiary. Therefore, under the language of the GENIUS Act, an entity does not have to

[26] 12 U.S.C. 5904(b)–(c).

[27] 12 U.S.C. 5904 (c)(3).

[28] 12 CFR part 303, subpart E.

[29] 12 U.S.C. 5901(33).

[30] 12 U.S.C. 5901(33)(A).

be, but may be, a CUSO under part 712 to qualify as a FICU subsidiary.

However, the NCUA has historically interpreted the lending and investment authority under the FCU Act as referring to the same types of organizations.[31] The NCUA's first CUSO rule explicitly stated that ''an organization described at Section 107(7)(I) of the [FCU Act], and a 'credit union organization,' as described at Section 107(5)(D) of the [FCU Act], are identical entities.'' The NCUA explained its interpretation in the preamble to its 1979 final rule after several commenters questioned the definitional section of the proposed rule that defined ''credit union service corporation'' to be both the entity described at Section 107(7)(1) and Section 107(5)(D). In the preamble, the NCUA discussed that the thrust of the comments was that the definition was unduly restrictive and was not legally mandated. In response, the NCUA stated that ''in light of the mandate in the legislative history by Congressman St Germain that [investment] authority is to be 'exercised on a carefully controlled basis by NCUA,' the Administration feels justified in tying the two definitions together.'' The NCUA also stated that it found no substantive difference in an organization ''which is established primarily to serve the needs of its member credit unions, and whose business relates to the daily operations of the credit unions they serve'' and an organization ''providing services which are associated with the routine operations of credit unions.'' The NCUA articulated that the legislative history indicated that the House committee stands ready to review investment interpretation matters upon request from NCUA ''[s]hould a case be made for a more liberal interpretation of the provisions.''

The NCUA also noted that the FCU Act specifically ''intertwines the lending and investment powers. For instance, section 107(7)(A) allows a Federal credit union to ''invest'' its funds in ''loans exclusively to members.'' Due to the preceding analysis, the NCUA believed that its interpretation of sections 107(5)(D) and 107(7)(I) were justified. The NCUA stated that ''[w]hile it may restrict the permissible activities for Federal credit unions in this field, legislative history mandates a rather conservative approach.'' [32]

Given NCUA's longstanding interpretation that the entities described in sections 107(5)(D) and 1757(7)(I) of the FCU Act are identical, the proposed rule would require any FCU that seeks to issue payment stablecoins indirectly to do so through a CUSO. Specifically, the Board will interpret the first and second prong under the definition of Subsidiary of an Insured Credit Union as referring to the same entity. Therefore, any proposed PPSI applicant must meet the requirements in part 712. The Board is aware there may be some provisions in part 712 that are unnecessary for NCUA-licensed PPSIs. For example, investing or lending FICUs would not need to include a contractual provision with the PPSI for the NCUA's access to books and records given other more direct examination and enforcement authorities under the GENIUS Act. However, other requirements such as the CUSO Registry may be beneficial to apply to NCUA-licensed PPSIs. The CUSO Registry is intended for the NCUA to gather certain operational and financial data of CUSOs and could be used by NCUA-licensed PPSIs to submit certain statutorily required information to NCUA. Additionally, the public may use the Registry as a resource to find contact and service information about various CUSOs. Including NCUA-licensed PPSIs on the Registry would allow the public to search for and verify that a payment stablecoin issuer is an NCUA-licensed PPSI.

Request for Comment: The Board solicits comments on which provisions of part 712 should not be applicable to NCUA-licensed PPSIs. The Board seeks to reduce regulatory redundancies and is considering whether to explicitly exclude NCUA-licensed PPSIs from certain provisions in part 712 as part of future rulemakings related to PPSI issuer standards.

The Board notes that in 2021 it sought comments on whether it should reconsider its longstanding interpretation of the lending and investment authorities under the FCU Act.[33] The Board has not yet adopted this interpretation. However, if the Board does so at a future date it would increase the types of organizations that an FCU may invest in. Under such an interpretation, FCUs could potentially invest in companies that broadly serve the financial services community, but do not primarily serve credit unions and their members. For instance, an FCU could invest in an organization with community banks that could be primarily used by the community banks' customers but is also used by the FCU's members.

If the Board revises its historic interpretation, then the first and second prong of the Subsidiary of an Insured Credit Union definition would refer to separate entities. The practical effect of this would be that FCU subsidiaries that issue payment stablecoins would not have to meet the ''primarily serve'' test under § 712.3(b).

The Board also notes that the GENIUS Act has slightly different wording related to FCU investment authority under section 1757(7)(I) of the FCU Act. The FCU Act provides that any organization in which the FCU invests must be providing services which are associated with the routine operations of credit unions. The GENIUS Act, however, states the organization providing services *to the insured credit union* must be associated with the routine operations of credit unions. It appears that the GENIUS Act requires investing FCUs to receive services from any PPSI that qualifies as a subsidiary. The Board would more fully consider the implications of this provision should it reconsider its historic interpretation on sections 107(5)(D) and 1757(7)(I) of the FCU Act.

Finally, the Board notes that there is a statutory limitation on the amount of investment under section 1757(7)(I) of the FCU Act. An FCU is only authorized to invest up to 1 percent of its total paid in and unimpaired capital and surplus in organizations. An FCU that has already invested 1 percent of its total paid in and unimpaired capital and surplus in CUSOs, would not be able to invest any additional money in a PPSI. Principally, the Board's interpretation related to sections 107(5)(D) and 1757(7)(I) of the FCU Act does not affect an FCU's total investments under section 1757(7)(I) of the FCU Act. Total CUSO investments and PPSI investments must be aggregated and limited to 1 percent of total paid in and unimpaired capital and surplus regardless of the Board's interpretation.

Request for Comment: Should the Board reconsider in a separate rulemaking its longstanding interpretation that the entities described in sections 107(5)(D) and 1757(7)(I) of the FCU Act are identical? If so, what would the implication be for PPSIs and non-PPSI CUSOs? Would a revised interpretation result in any additional risk to FCUs?

Request for Comment: What is the impact of the wording differences in the FCU Act and GENIUS Act related to section *1757(7)(I) of the FCU Act? Would FCUs have to receive services from any PPSI in which it invests under section 1757(7)(I) of the FCU Act?*

Request for Comment: If the Board revises its historic interpretation, what provisions of part 712 should apply to

[31] 44 FR 12401 (Mar. 7, 1979).

[32] *Id.*

[33] 86 FR 11645 (Feb. 26, 2021).

subsidiaries of insured credit unions, if any? Should non-CUSO FICU subsidiaries be required to register with the CUSO Registry? The Board may consider requiring all FICU subsidiaries to register.

FISCU Subsidiaries

The GENIUS Act also broadly defines a subsidiary of a state-chartered insured credit union (hereinafter a FISCU) as a FICU subsidiary. Therefore, any entity that meets the FDI Act definition of a subsidiary and is chartered by a FISCU would meet the definition of a FICU subsidiary and be subject to NCUA supervisory authority if it is a PPSI. The Board notes that under part 712, certain State subsidiaries are defined as CUSOs and subject to certain requirements in part 712.[34] However, a subsidiary is only a CUSO if that entity is engaged primarily in providing products or services to credit unions or credit union members. State subsidiaries that are not engaged primarily in providing products or services to credit unions or credit union members, would not meet the definition of CUSO and therefore would not be subject to part 712.

The GENIUS Act definition does not require that the entity meet the ''engaged primarily in providing products or services to credit unions or credit union members'' standard. Therefore, a FISCU subsidiary may not be a CUSO, and not subject to part 712, but may be a FICU subsidiary for purposes of the GENIUS Act and subject to NCUA supervisory authorities if it is, or applies to be, a PPSI.

Indirect Subsidiaries

A FICU may establish one or more intermediate entities, by itself or with third parties, to invest in a PPSI. If the FICU is an FCU then any entity in which it invests is subject to the CUSO regulation as all levels or tiers of a CUSO are subject to part 712. Therefore, establishing multi-tiered corporate structures does not circumvent the NCUA's jurisdiction as a primary Federal payment stablecoin regulator. This would also be true for subsidiaries of FISCUs that primarily serve credit unions, as such entities are also subject to the CUSO rule.

However, for a FISCU that has a subsidiary that does not primarily serve credit unions, part 712 is not applicable.[35] Therefore, the proposed rule would provide that all tiers or levels of a FICU subsidiary are included as a FICU subsidiary under part 706. Thus, if a FISCU establishes a holding company or issues payment stablecoins through a multi-tiered subsidiary structure, the NCUA would remain a primary Federal payment stablecoin regulator with respect to the subsidiary.

Application to Existing CUSOs

The GENIUS Act generally limits the activities that a PPSI may engage in.[36] Specifically, a PPSI may only (i) issue payment stablecoins; (ii) redeem payment stablecoins; (iii) manage related reserves, including purchasing, selling, and holding reserve assets or providing custodial services for reserve assets, consistent with State and Federal law; (iv) provide custodial or safekeeping services for payment stablecoins, required reserves, or private keys of payment stablecoins, consistent with the GENIUS Act; and (v) undertake other activities that directly support any of the above activities. PPSIs may also engage in digital asset service provider activities specified in the GENIUS Act and activities incidental thereto, that are authorized by the primary Federal payment stablecoin regulators.[37]

Given this limitation on other activities, the Board believes it is likely that existing CUSOs would not seek to become PPSIs. Additionally, the NCUA would have examination and enforcement authority over the PPSI that it does not have over traditional CUSOs. The Board notes that for existing CUSOs the NCUA only has contractual rights to access books and records. For example, the NCUA cannot take an enforcement action against a CUSO (provided the CUSO is not an institution-affiliated party), even if the NCUA perceives a risk after accessing the CUSO's books and records.

Request for Comment: To what extent do commenters believe FICUs will seek to issue payment stablecoins through existing CUSOs? Or do commenters believe it will be more likely for FICUs to establish new subsidiaries if they seek to issue payment stablecoins?

Request for Comment: The Board solicits commenter's feedback on all of these definitions and the approach to generally incorporating the definitions in the GENIUS Act by reference. Should the NCUA include the definitions in the GENIUS Act in the NCUA's regulation? The Board also notes that further definitions may be proposed as part of a future notice of proposed rulemaking implementing standards for NCUA-licensed PPSIs. The Board also requests input as to whether additional defined terms are necessary for implementation of the GENIUS Act.

C. § 706.101. Scope

Section 706.101 establishes the scope of Subpart A and states the subpart contains the NCUA rules and procedures for FICUs seeking to invest in payment stablecoin issuers and for FICUs and their subsidiaries to jointly apply for a license from the NCUA to be a PPSI. It also notes that Subpart A contains the information on rules of applicability, where and how to file an application to become an NCUA-licensed PPSI, and provides the requirements and policies applicable to filings.

D. § 706.102. Rules of General Applicability

Section 706.102 sets forth the general rules governing the process for an Applying Issuer to seek a license to become an NCUA-licensed PPSI. Paragraph (a) of proposed § 706.102 would state that additional filing guidance, including policies and procedures, are included in the NCUA's Payment Stablecoin Issuer Manual (Manual). The Manual would be posted on NCUA's website and include detailed information about the application process, including the required information, examples, forms, and additional resources for Applying Issuers. Paragraph (b) of proposed § 706.102 would state that electronic filing is encouraged but not required.

Paragraph (c) of proposed § 706.102 would include a reservation of authority. The reservation of authority would state that the Board may adopt materially different procedures for a particular filing, or class of filings as it deems necessary, for example, in exceptional circumstances or for unusual transactions. The Board would provide notice of the change to the filer and to any other party that the Board determines should receive notice. The Board expects to apply the reservation of authority only in limited circumstances. When making any such determination, the Board would consider all relevant factors affecting the filing and the activities of the Applying Issuer, its investors, and Parent Company, including their activities, business models, and risk-management practices. Any exercise of authority under this section by the Board would be in writing.

[34] All sections of part 712 apply to FCUs. Sections 712.2(d)(2)(ii), 712.3(d), 712.4, and 712.11(b) and (c) apply to FISCUs, as provided in § 741.222 of the chapter. FISCUs must follow the law in the state in which they are chartered with respect to the sections in part 712 that only apply to FCUs. FISCUs must follow the law in the state in which they are chartered with respect to the sections in part 712 that only apply to FCUs.

[35] 73 FR 23982 (May 1, 2008).

[36] 12 U.S.C. 5903(a)(7).

[37] *See* 12 U.S.C. 5903(a)(7)(B); 12 U.S.C. 5901(7) (defining digital asset service provider).

Finally, paragraph (d) of proposed § 706.102 provides additional information on timing considerations. Specifically, the proposed rule would provide that the NCUA does not include the day of the act or event (*e.g.,* the date a filing is received by the NCUA) from which the period begins to run. When the last day of a period is a Saturday, Sunday, or Federal holiday, the period runs until the end of the next day that is not a Saturday, Sunday or Federal holiday.

Request for Comment: The Board seeks comment on these general rules of applicability. The Board is especially interested in commenter input as to adoption of a Manual. Do commenters believe this approach is appropriate? If so, what do commenters believe should be addressed in the Manual? The Board specifically solicits comment as to:

1. What information or resources would be most helpful for the NCUA to include in the Manual? Are there specific areas such as financial projections, risk management strategies, or operational models where more detailed explanations or model templates would be useful?

2. What documentation or evidence should the Manual suggest applicants provide to demonstrate the financial condition and resources necessary to maintain reserves on a 1:1 basis as a payment stablecoin issuer?

3. What specific documentation or evidence should the Manual detail that applicants should be able to demonstrate to show that their technology systems can comply with the terms of any lawful orders and execute actions required by law enforcement or regulatory authorities, such as freezing, seizing, burning, reissuing, and preventing the transfer of stablecoins, and the blocking of stablecoins or accounts?

4. What specific technological capabilities should the Manual detail applicants should be able to demonstrate with respect to:

a. Transaction monitoring and suspicious activity detection;

b. Reserve management and real time reconciliation; and

c. Cybersecurity and operational resilience?

5. The NCUA is considering requiring applicants to provide attestations of independent third-party technology assessments or audits. What standards or frameworks should govern such assessments? What challenges or benefits do you anticipate this requirement might pose? How should the Manual help address any challenges?

6. The NCUA is considering requiring audited financial statements as part of the initial application. What challenges or benefits do you anticipate this requirement might pose? How should the Manual help address any challenges?

7. What documentation or evidence should the Manual suggest that an applicant could provide to demonstrate that they meet operational, compliance, and information technology risk management requirements and standards? More specifically, what documentation or information should the Manual suggest applicants provide regarding their:

a. distributed ledger or blockchain infrastructure, including network architecture, smart contract design, and protocol governance;

b. technology systems' scalability, reliability, and disaster recovery capabilities; and

c. ability to demonstrate operational readiness to process redemptions in a timely manner?

8. It is expected that applicants be able to provide documented disclosures regarding redemption fees, procedures, and timelines at the time of application. What challenges or benefits do you anticipate this requirement might pose? How can the Manual help to address any challenges?

9. What additional factors, if any, should the NCUA consider in evaluating applications to ensure the safety and soundness of permitted payment stablecoin issuers? How can the Manual help address these factors?

E. § 706.103. Filing Required

Section 5(a)(1)(A) of the GENIUS Act requires the NCUA to receive, review, and consider for approval applications from any FICU that seeks to issue payment stablecoins through a FICU subsidiary.[38] Section 5(a)(1)(B) requires the NCUA to establish a process and framework for the licensing, regulation, examination, and supervision of such entities that prioritizes the safety and soundness of such entities.[39] Section 5(a)(3) requires that the NCUA, upon receipt of a substantially complete application, evaluate and make a determination on each application based on the criteria established under the GENIUS Act (hereinafter the ''Statutory Evaluation Factors'').[40]

The proposed rule states that a FICU subsidiary seeking to issue payment stablecoins must apply to the NCUA for a license and receive NCUA approval before issuing the stablecoins. The proposed rule requires that this application be filed jointly with any insured credit union Parent Company(ies). The Board notes that the FDIC's proposed rule requires only the IDI to apply.

The proposed rule would provide that the proposed PPSI would apply jointly with its FICU Parent Company(ies). The proposed rule would also require that the proposed PPSI, the Parent Company(ies), and any Principal Shareholders certify in writing that any filing or supporting material submitted to the NCUA contains no material misrepresentations or omissions. The Board believes it is more efficient and practical for the issuer, the entity receiving the license to engage in issuing payment stablecoins, to submit the application directly with its FICU Parent Company(ies) rather than having all investing FICUs apply.

Additionally, the Board believes PPSIs are more likely to be widely held in the credit union industry than in the banking industry. Jointly held credit union subsidiaries have the potential to provide significant value to the credit union industry by facilitating cooperation among credit unions. To compete effectively in the payment stablecoin market, FICUs may need to rely on pooling their resources to jointly fund a FICU subsidiary as the associated costs of issuing payment stablecoins may be prohibitive for all but a very few of the largest FICUs.

For these reasons, the Board anticipates that FICUs may jointly form a FICU subsidiary to issue payment stablecoins. Therefore, the proposed rule requires the potential PPSI to apply to the NCUA to be an NCUA-licensed PPSI jointly with only investing FICUs that are considered Parent Company(ies) under the proposed rule. The definition of Parent Company in the proposed rule is intended to capture only the FICUs that are most likely to control or direct the management and policies of the PPSI and have those FICUs apply jointly with the Applying Issuer. The Board does not believe it is practical or consistent with congressional intent for the NCUA to review licensure applications from each investing FICU.

As noted, the proposed rule would also require that the Applying Issuer and all Parent Companies and any Principal Shareholders of the Applying Issuer make certain certifications about the application and submit certain information on their Officers and Directors. The Board seeks comments on the proposed application scheme; specifically, whether (1) the application should be made by the proposed PPSI,

[38] 12 U.S.C. 5904(a)(1)(A).

[39] 12 U.S.C. 5904(a)(1)(B).

[40] 12 U.S.C. 5904(a)(3).

(2) an application from FICUs is preferred, or (3) the application should require joint filing and certification of all information in it by both the Applying Issuer and all investing FICUs.

The Board does understand, however, that requiring the proposed PPSI and the FICU Parent Company(ies) to apply may result in minor inconsistencies with the regulations of the other primary Federal payment stablecoin regulators in certain situations. Paragraph (b) of proposed § 706.103 provides that filings are submitted as provided in the NCUA's Payment Stablecoin Issuer Manual.

Paragraph (c) of proposed § 706.103 provides that before submitting a filing to the NCUA, a potential filer may contact the NCUA to discuss whether a prefiling meeting would be beneficial. The NCUA would decide whether to grant a prefiling meeting on a case-by-case basis and would consider whether the application would represent a novel, complex, or unique proposal such that a prefiling meeting would be beneficial. Paragraph (c) notes that submission of a draft business plan or other relevant information before any prefiling meeting may expedite the filing review process. It states that a potential filer considering a novel, complex, or unique proposal is encouraged to contact the NCUA to request a prefiling meeting early in the development of its proposal for the early identification and consideration of policy issues. Finally, paragraph (c) notes that information on model business plans can be found in the NCUA's Payment Stablecoin Issuer Manual.

As noted above, paragraph (d) of proposed § 706.103 provides that an Applying Issuer, and its Parent Company(ies), and any Principal Shareholders, must certify in writing that any filing or supporting material submitted to the NCUA contains no material misrepresentations or omissions. The Board notes that any person responsible for any material misrepresentation or omission in a filing or supporting materials may be subject to an enforcement action and other penalties, including criminal penalties provided in 18 U.S.C. 1001.

Paragraph (e) of proposed § 706.103 states that the NCUA may require filing fees to accompany certain filings made under Subpart A. At this time, the Board does not believe a filing fee is necessary. However, if the number of applications received, or the resources to process the application, are substantial, the Board may consider imposing a filing fee. The Board would not impose a filing fee without publishing an applicable fee schedule on its website at *http://www.NCUA.gov.*

Request for Comment: The Board is seeking comments on the pros and cons of recovering the costs of administering the stablecoin program by imposing charges on individual FICUs or NCUA-licensed PPSIs. The Board is particularly interested in comments as to whether annual NCUA costs for staff and contractors to review proposed stablecoin issuer applications and conduct examinations should be borne entirely by the FICUs who own the applying PPSIs or spread across all FICUs through the NCUA's usual budget process. The Board is considering imposing a licensing fee or examination fee to offset the NCUA's additional costs. The Board believes that because payment stablecoin activities are optional and based on each FICU's business judgment; and that because it is likely that, at least initially, only a minority of FICUs participate in payment stablecoin activities, commenters may consider it more equitable to not pay these costs out of the general FCU operating fee and National Credit Union Share Insurance Fund (NCUSIF) overhead transfer.

However, previously when the Board raised the potential for charging a program-based fee, the Board declined to impose the fee following the notice and comment process. Previous commenters have raised negative precedent related to distinct fees; concerns about NCUA cost estimates; the collective benefit of certain programs are to the industry even if only select FICUs are engaged in the activity; and that by reducing risk to the NCUSIF, the specific activity in question may be saving the agency and the industry money. The Board requests comments on whether these considerations are present for administering a program-based fee for PPSI licensing or examination.

Finally, the Board notes that the intent for any charges would not be to act as a deterrent, but rather as an equitable way of assessing the cost of payment stablecoin activities and the NCUA's expanded supervision requirements.

F. § 706.104. Investigations

Section 706.104 of the proposed rule would detail certain information about examinations and investigations the NCUA may conduct related to filings. Paragraph (a) of proposed § 706.104 would express the NCUA's authority to examine or investigate and evaluate facts related to a filing to the extent necessary to reach an adequately informed decision. Paragraph (b) of proposed § 706.104 would clarify that for certain filings the NCUA will require legible fingerprints for a biometric based criminal history search. The Board believes that such criminal history background checks are necessary for the NCUA to review the required Statutory Evaluation Factors,[41] but requests commenters' input as to this approach.

The NCUA reserves the right to assess fees for investigations or examinations conducted under paragraph (a) of this section. The Board would not impose a fee without publishing an applicable fee schedule on its website at *http://www.NCUA.gov.*

Request for Comment: The Board specifically solicits commenter feedback as to whether the proposed rule should address the NCUA's authority to assess fees related to investigations or examinations under this section.

G. § 706.105. Evaluation of Applications and Factors To Be Considered

Upon receipt of a substantially complete application, the NCUA is required to evaluate and make a determination on each application based on the criteria established under the GENIUS Act.[42] The GENIUS Act requires the NCUA to evaluate a substantially complete application using the following Statutory Evaluation Factors: [43]

(1) The ability of the applicant (or, in the case of an applicant that is an insured depository institution, the subsidiary of the applicant), based on financial condition and resources, to meet the requirements set forth under section 4.

(2) Whether an individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud is serving as an officer or director of the applicant.

(3) The competence, experience, and integrity of the officers, directors, and principal shareholders of the applicant, its subsidiaries, and parent company, including—

(A) the record of those officers, directors, and principal shareholders of compliance with laws and regulations; and

(B) the ability of those officers, directors, and principal shareholders to fulfill any commitments to, and any conditions imposed by, their primary Federal payment stablecoin regulator in connection with the application at issue and any prior applications.

[41] *See* 12 U.S.C. 5904(c)(2)–(3).

[42] 12 U.S.C. 5904(a)(3).

[43] 12 U.S.C. 5904(b).

(4) Whether the redemption policy of the applicant meets the standards under section 4(a)(1)(B).

(5) Any other factors established by the primary Federal payment stablecoin regulator that are necessary to ensure the safety and soundness of the permitted payment stablecoin issuer.[44]

The NCUA proposes to adopt and implement these required Statutory Evaluation Factors in § 706.105 as described below.

1. Scope

Paragraph (a) of proposed § 706.105 addresses the scope of the section and would describe the procedures and requirements governing NCUA evaluation of an application for an NCUA PPSI license using the Statutory Evaluation Factors. Proposed § 706.105 clarifies that the NCUA would evaluate each substantially complete application to determine whether approval would be consistent with the safety and soundness of the applying payment stablecoin issuer based on the Statutory Evaluation Factors set forth in the GENIUS Act and implemented in proposed § 706.105. Proposed paragraph (a) concludes by advising that an applicant should consult the NCUA's Payment Stablecoin Issuer Manual to determine what other information is necessary for the NCUA to evaluate an application using the Statutory Evaluation Factors described in this section. As a supplement to these proposed regulations, the NCUA will be issuing the NCUA's Payment Stablecoin Issuer Manual to provide guidance to and assist PPSIs in seeking an NCUA PPSI license.

2. Statutory Evaluation Factors

Paragraph (b) of proposed § 706.105 would state that the NCUA grants NCUA–PPSI licenses under the authority provided by the GENIUS Act at 12 U.S.C. 5904, which requires the NCUA to evaluate applications using the Statutory Evaluation Factors described in subsection (c) of that section. The proposed rule would specifically codify these Statutory Evaluation Factors in paragraph (b) as follows:

(1) The ability of the Applying Issuer, based on financial condition and resources, to meet the requirements set forth under 12 U.S.C. 5903 and incorporated in Subpart B of part 706;

(2) Whether an individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud is serving as an Officer or Director of the Applying Issuer;

(3) The competence, experience, and integrity of the Officers, Directors, and Principal Shareholders of the Applying Issuer, its subsidiaries, and Parent Company, including:

(i) the record of those Officers, Directors, and Principal Shareholders of compliance with laws and regulations; and

(ii) the ability of those Officers, Directors, and Principal Shareholders to fulfill any commitments to, and any conditions imposed by, the NCUA in connection with the application at issue and any prior applications;

(4) Whether the redemption policy of the Applying Issuer meets the standards under 12 U.S.C. 5903(a)(1)(B) and incorporated in Subpart B of part 706; and

(5) Any other factors established by the NCUA that are necessary to ensure the safety and soundness of the Applying Issuer.

3. Policy

Paragraph (c) of proposed § 706.105 would provide the policy considerations that would guide the NCUA's evaluation of an Applying Issuer's ability to satisfy the Statutory Evaluation Factors provided by the GENIUS Act at 12 U.S.C. 5904(c) and reproduced in proposed § 706.105(b). Proposed paragraph (c)(1) would detail specific policy considerations that would guide the NCUA's evaluation. Paragraph (c)(2) would provide a framework as to the NCUA's policy for cumulatively evaluating an Applying Issuer based on its Issuing Group and its business plan together, along with factors specific to the markets and economic conditions in which an Applying Issuer intends to operate and the risks specific to the services it intends to provide.

As noted, proposed paragraph (c)(1) would detail specific policy considerations that would guide the NCUA's evaluation of the Statutory Evaluation Factors. The first three policy considerations stated in proposed (c)(1)(i)–(iii), would all relate to the competence, experience, and integrity Statutory Evaluation Factor. Proposed paragraph (c)(1)(i) would consider whether the Applying Issuer has an Issuing Group that has a record of compliance with laws and regulations and that is familiar with the laws and regulations applicable to PPSIs and digital asset service providers, as that term is defined in the GENIUS Act. Proposed paragraph (c)(1)(ii) would consider whether the Applying Issuer has an Issuing Group with the ability to fulfill any commitments to, and any conditions imposed by, the NCUA in connection with the application at issue and any prior applications. Paragraph (c)(1)(iii) would consider whether the Applying Issuer has competent management, including a board of directors, with ability and experience relevant to the types of services to be provided.

The Board recognizes that these policy considerations are somewhat redundant of the required Statutory Evaluations Factors incorporated in paragraph (b). However, the Board feels it important to make it clear how the NCUA will consider the competence, experience, and integrity factors. Key to these factors would be completion of the NCUA's Biographical and Financial Report, as would be required in proposed § 706.105(f)(3).

Paragraph (iv) would articulate that the NCUA will consider whether the Applying Issuer has the capital, liquidity, and the capital and liquidity plans, sufficient to support the projected volume and type of business. The Board views realistic and well-developed capital and liquidity plans as fundamental to an Applying Issuer's demonstration that, as is required by the Statutory Evaluation Factors,[45] it has the ability, based on financial condition and resources, to meet the requirements for PPSIs set forth in the GENIUS Act[46] and to be implemented in the NCUA's regulations. The Board also views this as key to ensuring the safety and soundness of the Applying Issuer, as is required by the Statutory Evaluation Factors.[47]

Paragraph (v) would articulate that the NCUA will consider whether the Applying Issuer has a redemption policy that is sufficient to meet all requirements in subpart B of this part. The Board views a redemption policy that is sufficient to meet all requirements in Subpart B as prescriptively required by the Statutory Evaluation Factors and key to the safety and soundness of an Applying Issuer.

Paragraph (vi) would articulate that the NCUA will consider whether the Applying Issuer can reasonably be expected to achieve and maintain profitability. The Board views a realistic and well-developed plan for achieving and maintaining profitability as fundamental to an Applying Issuer's demonstration that, as is required by the Statutory Evaluation Factors,[48] it has the ability, based on financial condition and resources, to meet the requirements for

[44] 12 U.S.C. 5904(c)(1)–(5).

[45] 12 U.S.C. 5904(c)(1).

[46] 12 U.S.C. 5903.

[47] 12 U.S.C. 5904(c)(5).

[48] 12 U.S.C. 5904(c)(1).

PPSIs set forth in the GENIUS Act.[49] The Board also views this is as key to ensuring the safety and soundness of the Applying Issuer, as is required by the Statutory Evaluation Factors.[50]

Paragraph (vii) would articulate that the NCUA will consider whether the Applying Issuer will be operated in a safe and sound manner. The Board views its consideration of an Applying Issuer's ability to operate in a safe and sound manner as prescriptively required by the Statutory Evaluation Factors.[51] Paragraph (vii) would clarify that the NCUA's evaluation of an Applying Issuer's ability to operate in a safe and sound manner would include, but not be limited to (1) the ability of the Applying Issuer to meet the operational, compliance, and information technology risk management requirements and standards to be outlined in subpart B of this part; and (2) the ability of the Applying Issuer to maintain sufficient technological capabilities to comply with the terms of any lawful order and all applicable laws and regulations.

As noted, paragraph (c)(2) of proposed § 706.105 would provide additional information as to how the NCUA cumulatively evaluates an Applying Issuer based on its Issuing Group and its business plan together. Paragraph (c)(2) would clarify that the NCUA's judgment concerning one of these aspects may affect the evaluation of the other. It would also stress that an Issuing Group and its business plan must be stronger in markets where economic conditions are marginal, competition is intense, or the services to be provided have greater or unknown risk.

The Board believes that this policy for a cumulative evaluation that considers both the Issuing Group and the business plan together will best ensure proper consideration of the Statutory Evaluation Factors and that NCUA-licensed PPSIs are able to be successful, safe, and sound enterprises. The Board further believes that consideration of the markets and economic conditions in which an Applying Issuer intends to operate and the risks specific to the services it intends to provide are key to this holistic evaluation.

Request for Comment: The Board specifically solicits comment as to whether these policy considerations should be included in paragraph (c) and as to whether any additional factors or details should be included.

Request for Comment: The Board also solicits comment as to whether the policy considerations listed in paragraph (c)(1)(vii) providing examples relevant to the NCUA's evaluation of an Applying Issuer to operate safely and soundly are appropriate to include in the regulation. Should the Board include any examples? Are there additional examples the Board should include?

4. Issuing Group

Paragraph (d) of proposed § 706.105 would provide specific requirements applicable to the Applying Issuer's Issuing Group. An Issuing Group, as defined in proposed § 706.2, would include the Applying Issuer and the Officers, Directors, and Principal Shareholders of the Applying Issuer, its subsidiaries, and Parent Company or Companies. A FICU or other party that is not covered by this definition, such as a FICU that has invested in the Applying Issuer, but is not a Parent Company, would not be a member of the Issuing Group.

Paragraph (d)(1) of proposed § 706.105 would generally discuss how the NCUA proposes to evaluate an Issuing Group as part of the Statutory Evaluation Factors and the holistic application. It would provide that, in general, an Issuing Group must have the competence, experience, and integrity to be active in directing the Applying Issuer's affairs in a safe and sound manner. It would require that the business plan and other information supplied in the application, including the completed NCUA Biographical and Financial Report forms, demonstrate an Issuing Group's collective ability to establish and operate a successful PPSI in the economic and competitive conditions of the market to be served. This proposed rule would also require that this be demonstrated with consideration of the activities to be engaged in by the Applying Issuer and the services it intends to provide. Paragraph (d)(1) would also state that each member of the Issuing Group must be knowledgeable about the business plan. The NCUA believes an inadequate business plan may be a reason for the NCUA to deny an application because it reflects adversely on the Issuing Group's qualifications.

Paragraph (d)(2) of proposed § 706.105 would prescribe standards for selection of management by the Issuing Group. Specifically, it would require that the initial board of directors select competent Officers before the NCUA grants an NCUA–PPSI License. The Board understands that selected Officers may be conditional pending NCUA's review and approval of the application. Early selection of Officers, especially the chief executive officer, contributes favorably to the preparation and review of a business plan that is accurate, complete, and appropriate for the activities the Applying Issuer intends to engage in, and is necessary for a substantially complete application.

Paragraph (d)(3) of proposed § 706.105 would address requirements related to the financial resources of the Issuing Group. Specifically, paragraph (d)(3)(i) would require that each member of the Issuing Group have a history of responsibility, personal honesty, and integrity. The Board views this as required by the Statutory Evaluation Factors, both in terms of the competence, experience, and integrity of the Officers and Directors in the Issuing Group [52] and the prohibition on certain felony offenses.[53] The Board envisions Officers and Directors in the Issuing Group generally demonstrating their history of responsibility, personal honesty, and integrity in the NCUA Biographical and Financial Report form required under paragraph (f)(3) of this section. However, the Board retains the right to request additional information in evaluating this requirement.

Paragraph (d)(3)(ii) would require the Issuing Group to have a realistic plan, or plans, for enabling the Applying Issuer to obtain capital and liquidity when needed. The Board views demonstrating realistic plans for obtaining capital and liquidity as key to an Applying Issuer's prospects and viability and a matter that the Issuing Group must be able to address. However, the Board does not believe FICUs should attempt to financially obligate themselves beyond their initial investments in a manner that poses future material risk to the investing FICUs and thus their members and the NCUSIF. The Board views it as inappropriate for a FICU to implicitly financially obligate its members and the NCUSIF as a backstop for Applying Issuers. The Board also notes that it may consider any purported financial obligation as an investment in or loan to the PPSI for purposes of the 1 percent investment and lending limitations under the FCU Act.[54]

[49] 12 U.S.C. 5903.

[50] 12 U.S.C. 5904(c)(5).

[51] *Id.*

[52] 12 U.S.C. 5904(c)(3).

[53] 12 U.S.C. 5904(c)(2).

[54] In the past, the NCUA has deemed all of the following to be either loan or investment equivalents in the context of the CUSO rule: standby letter of credit issued by an FCU to cover a CUSO; sale and leaseback transactions; payment of CUSO expenses by FCU, such as subsidies; guarantees of CUSO debt or purchase of CUSO debentures; FCU pledge and guarantee of loans from other entities to the CUSO; and FCU spin-off of assets to CUSOs. 63 FR 10743 (Mar. 5, 1998). Likewise, the Board would likely consider other contingent financial obligations to support a PPSI as an investment or loan.

Paragraph (d)(3)(iii) would require that any financial or other business arrangement, direct or indirect, between the Issuing Group or other insiders and the Applying Issuer must be on non-preferential terms. The Board believes that financial or other business arrangements that would show preference to members of the Issuing Group or other insiders are inconsistent with the GENIUS Act's Statutory Evaluation Factors related to integrity and are inconsistent with safe and sound practices.

5. Business Plan

Paragraph (e) of proposed § 706.105 would set forth the subjects that an Applying Issuer's business plan must address and the NCUA's process for evaluating the plan. The purpose of this proposed section is to broadly address what subjects must be addressed in an Applying Issuer's business plan and how the NCUA will review it. The Board stresses that, because of the unique nature of any application and individual business plan, what specific information the NCUA must review for a particular application and its evaluation of the that information will vary. The NCUA intends that the NCUA Licensing Manual and various forms that will be developed for Applying Issuers will provide guidance to Applying Issuers and help facilitate their development of business plans and their broader application submissions.

Paragraph (e)(1)(i) of proposed § 706.105 would state the general requirement that an Applying Issuer submit a business plan that adequately addresses the Statutory Evaluation Factors and related policy considerations set forth in paragraphs (b) and (c) of this section. It would require that the plan reflect sound business and financial principles and demonstrate realistic assessments of risk in light of economic and competitive conditions in the market to be served and the services to be provided.

Paragraph (e)(1)(ii) would articulate the NCUA's holistic approach to examining a business plan. It would state that the NCUA may offset deficiencies in one factor by strengths in one or more other factors. However, it would also note deficiencies in some factors, such as unrealistic earnings prospects, may have a negative influence on the evaluation of other factors, such as capital adequacy, or may be serious enough by themselves to result in denial. It would articulate that the NCUA considers inadequacies in a business plan to reflect negatively on the Issuing Group's ability to operate a successful PPSI.

Paragraph (e)(2) of proposed § 706.105 would broadly speak to how a business plan must address earnings prospects and financial condition and how the NCUA will review those aspects. Specifically, it would require that an Applying Issuer submit balance sheets and income statements that demonstrate financial stability and earnings prospects as part of the business plan. This would include both actual and *pro forma* balance sheets and income statements, as applicable based on the availability of actual financial statements. Paragraph (e)(2) would state the NCUA would review all *pro forma* projections for reasonableness of assumptions and consistency with the business plan.

Paragraph (e)(3) of proposed § 706.105 would broadly speak to how a business plan must address management and articulate specific requirements that must be followed. Paragraph (e)(3)(i) would require that the business plan include information sufficient to permit the NCUA to evaluate the overall management ability of the entire Issuing Group. If the Issuing Group has limited relevant experience, the Officers of the Applying Issuer must be able to compensate for such deficiencies.

Paragraph (e)(3)(ii) would prohibit an Applying Issuer from hiring an Officer or electing or appointing a Director if the NCUA objects to that person at any time prior to the date the issuer commences business. Paragraph (e)(3)(iii) would require all Officers and Directors of the Issuing Group and any principal shareholders to submit the biographical and financial report information described in paragraph (f) to allow the NCUA to evaluate the competence, experience, and integrity of the Officers, Directors, and Principal Shareholders of the Applying Issuer, its subsidiaries, and Parent Company(ies) as described in paragraph (b)(3).

Paragraph (e)(4) of proposed § 706.105 would require that a business plan address an Applying Issuer's capital and capital plan, consistent with the requirements of the GENIUS Act and as will be proposed in Subpart B of part 706. It would state that an Applying Issuer must have sufficient initial capital, net of any organizational expenses that will be charged to the Applying Issuer's capital after it begins operations, to support the institution's projected volume and type of business. It would also require that the applying issuer have a longer-term capital plan that is sufficient to support the future projected volume and type of business as outlined in the business plan.

Paragraph (e)(5) of proposed § 706.105 would require an Applying Issuer's business plan to address its liquidity and reserve asset diversification practice. The proposed rule would clarify that these policies must meet the requirements of Subpart B of this part, which will be proposed in a future notice of proposed rulemaking and will be based on the criteria that the GENIUS Act requires.[55]

Finally, proposed paragraph (e)(6) of proposed § 706.105 would require the business plan to demonstrate that the Applying Issuer (and to the extent necessary, the Parent Company(ies)), is aware of, and understands, applicable laws and regulations, and how to conduct safe and sound operations and practices.

Request for Comment: The Board requests commenters provide feedback as to whether this section provides the necessary information for Applying Issuers and Issuing Groups to develop business plans as part of their application for an NCUA–PPSI license. The Board is especially interested in whether commenters feel like additional information needs to be provided in the regulation and if commenters are comfortable with the approach the NCUA plans to take with the NCUA Licensing Manual.

Request for Comment: Despite the Board's belief that the proposed regulations provide enough detail to address what a business plan must demonstrate, the Board solicits feedback as to whether additional information should be required as part of a business plan, such as the information listed below:

- *information detailing how the Applying Issuer plans to maintain their payment stablecoin's stable value;*
- *detailed information about all of the proposed activities of the Applying Issuer, including activities that are incidental to their payment stablecoin activities and digital asset service provider activities;*
- *relevant financial information related to the Applying Issuer's reserve assets, the composition of the reserve assets, and the associated asset management plan;*
- *an engagement letter with a registered public accounting firm as evidence that the Applying Issuer would be able to comply with the examination of monthly reserve reports and certification requirements in section 4 of the GENIUS Act; and*
- *relevant policies and procedures and customer agreements, including for custody and safekeeping, segregation of customer and reserve assets,*

[55] *See* 12 U.S.C. 5903(a)(4)(A)(ii)–(iii).

recordkeeping, reconciliation and transaction processing, and redemption.

6. Procedures

Paragraph (f) of proposed § 706.105 would articulate various standard procedures for the submission, review, and decision process of applications for an NCUA–PPSI license. Pursuant to Section 5(1)(B) of the GENIUS Act, the NCUA proposes a process and framework for the licensing of PPSIs that prioritizes the safety and soundness of such entities and complies with Section 5(3)(d)'s 120-day statutory window for decisions.

Paragraph (f)(1) of proposed § 706.105 would address the possibility of a prefiling meeting with the NCUA and the Issuing Group. Paragraph (f)(1) would state that the Issuing Group of an Applying Issuer may request a prefiling meeting with the NCUA before the Applying Issuer files an application. Paragraph (f)(1) would also state that the prefiling meeting normally would be held virtually.

The Board believes that prefiling meetings may be a beneficial way to allow proposed issuers applying for an NCUA–PPSI license to maximize their chances of submitting substantially complete applications and being granted a license while also helping to preserve the NCUA's ability to fully evaluate and render decisions on substantially complete applications within the 120-day statutory window. As part of a prefiling meeting, the Board believes that all members of the Issuing Group should be familiar with the NCUA's licensing policy and procedural requirements as will be articulated in the NCUA's Licensing Manual. Finally, the Board thinks that providing virtual prefiling meetings as a default means for meeting will reduce expenses for both the NCUA and Applying Issuers while allowing the greatest flexibility for both parties. The Board requests comment on its use of discretion to propose a virtual prefiling meeting in the NCUA–PPSI licensing process.

Paragraph (f)(2) of proposed § 706.105 would reiterate the requirement that an Applying Issuer must file a business plan that addresses the subjects discussed in paragraph (e) of proposed § 706.105. The Board is proposing to specifically state this procedural requirement here as it views a well-developed business plan as essential to demonstrating that an Applying Issuer can satisfy the Statutory Evaluation Factors.

Paragraph (f)(3) of proposed § 706.105 would require submission of certain biographical and financial report information and information necessary for background investigations. Paragraph (f)(3)(i) would require that each Director or Officer or proposed Director or Officer of a member of the Issuing Group, and any Principal Shareholder of the Applying Issuer, submit to the NCUA the information prescribed in the NCUA Biographical and Financial Report, to be made available at *www.ncua.gov.* The proposed rule contemplates the NCUA adopting an ''NCUA Biographical and Financial Report'' similar to the Interagency Biographical and Financial Report used by the other primary Federal payments stablecoin regulators as part of applications for various other chartering, licensing, and insurance processes.[56] Paragraph (f)(3)(ii) would require that each Director or Officer or proposed Director or Officer of only the Applying Issuer submit legible fingerprints for a biometric based criminal history search. Principal Shareholders do not need to submit fingerprints. These combined submissions would allow the NCUA to satisfy its evaluations of the required statutory factors related to competence, experience, and integrity [57] and the prohibited felony convictions.[58]

Finally, paragraph (f)(3)(iii) would state that the NCUA may request additional information about any Director or Officer, or proposed Director or Officer, or any Principal Shareholder, if appropriate. Proposed (f)(3)(iii) would also state that the NCUA may waive any of the information requirements of paragraph (f) if the NCUA determines that it is in the public interest.

Request for Comment: The Board specifically solicits feedback as to the development and use of an NCUA Financial and Biographical Report. Should the Board consider alternative approaches to fulfilling these statutory requirements? Is there specific information that should be included in the proposed NCUA Financial and Biographical Report?

Request for Comment: The Board solicits feedback as to the proposal to collect legible fingerprints from the Officers and Directors, or proposed Officers and Directors, of an Applying Issuer for a biometric based criminal history search. Should the Board consider alternative approaches to evaluating whether any of these individuals have been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud as is required by the GENIUS Act?

Paragraph (f)(4) of proposed § 706.105 would require that the Applying Issuer designate a contact person to represent the Issuing Group in all contacts with the NCUA.

Paragraph (f)(5) of proposed § 706.105 would state that the NCUA will notify the contact person and other relevant parties in writing of its decision on an application to be an NCUA-licensed PPSI.

Paragraph (f)(6) of proposed § 706.105 would require that before the NCUA grants a license to an Applying Issuer, the Applying Issuer must be established as a legal entity under State law.

7. Investments in Other Licensed Issuers

Once a FICU has made an investment in a PPSI, the PPSI becomes a ''subsidiary of an insured credit union'' under the GENIUS Act. The GENIUS Act designates the NCUA as the primary Federal payment stablecoin regulator of subsidiaries of insured credit unions. Therefore, the Board is proposing to restrict FICU investment in any PPSI to only those with an NCUA license.

The Board understands that FICUs may seek to invest in PPSIs that meet the PPSI definition because they are a subsidiary of a non-FICU IDI, are a Federal qualified payment stablecoin issuer,[59] or a State qualified payment stablecoin issuer.[60] The Board is also aware that these investments may create ambiguity regarding designation of the primary Federal payment stablecoin regulator. The NCUA and the other primary Federal payment stablecoin regulators may address such potential interjurisdictional issues in the future.

Request for Comment: What approach should the NCUA and other PPSI regulators take to licensing, examining, and regulating PPSIs that may be considered subsidiaries of multiple types of insured depository institutions? Specifically, should PPSIs be required to obtain multiple licenses in some instances? If multiple licenses are required, should NCUA provide a process for expedited licensure of a PPSI or rather than require multiple licenses, rely on the licensure of another Primary Federal payment stablecoin regulator, if the PPSI has already been licensed or approved by another regulator?

[56] *See* Interagency Biographical and Financial Report, *available at https://www.occ.treas.gov/static/licensing/form-ia-bio-financial-v2.pdf, https://www.fdic.gov/formsdocuments/f6200-06.pdf,* and *https://www.federalreserve.gov/apps/reportingforms/Download/DownloadAttachment?guid=e5e9a72a-0667-4c4e-9f5d-af27ab90809b.*

[57] *See* 12 U.S.C. 5904(c)(3).

[58] 12 U.S.C. 5904(c)(2).

[59] *See* 12 U.S.C. 5901(11).

[60] *See* 12 U.S.C. 5901(31).

H. § 706.106. Timing for Decision on Applications

Section 5(d)(1) of the GENIUS Act addresses the timing for a primary Federal payment stablecoin regulator to render a decision on an application to be a licensed PPSI.[61] Specifically, the GENIUS Act requires the NCUA to render a decision on the application not later than 120 days after receiving a substantially complete application.[62]

The GENIUS Act also establishes a standard for when an application shall be considered ''substantially complete'' and obligations on the applicable primary Federal payment stablecoin regulator to provide notifications to an applicant regarding the status of the application. An application shall be considered substantially complete if the application contains sufficient information for the NCUA to render a decision on whether the applicant satisfies the factors to be considered detailed in section 5(c) of the GENIUS Act.[63] The proposed rule would detail these factors and how the NCUA will evaluate them in § 706.105. Additionally, not later than 30 days after receiving an application, the NCUA must notify the applicant as to whether the NCUA considers the application to be substantially complete and, if the application is not substantially complete, the additional information the applicant must provide for the application to be considered substantially complete.[64] An application considered substantially complete remains substantially complete unless there is a material change in circumstances that requires the NCUA to treat the application as a new application.[65]

Finally, the GENIUS Act dictates that the failure of the NCUA to render a decision on a complete application within the time specified above shall be deemed an approval of the application.[66]

The NCUA proposes to adopt these requirements as prescribed by the GENIUS Act in § 706.106.

Request for Comment: Should the Board explicitly state that it may include conditions on any approval of an application?

I. § 706.107. Denial

The GENIUS Act establishes the grounds under which the NCUA may deny a substantially complete application. The NCUA may only deny a substantially complete application received if the NCUA determines that the activities of the applicant would be unsafe or unsound based on the factors described in section 5(c) of the GENIUS Act, noted above, and included in proposed § 706.105.[67] The GENIUS Act also specifies that the issuance of a payment stablecoin on an open, public, or decentralized network shall not be a valid ground for denial of an application received.[68] The proposed rule would articulate the grounds for denial as prescribed by the GENIUS Act in paragraph (a) of § 706.107.

The GENIUS Act also imposes a requirement upon the NCUA to explain the denial of an application. If the NCUA denies a substantially complete application, not later than 30 days after the date of such denial, the NCUA must provide the applicant with written notice explaining the denial with specificity, including all findings made by the NCUA with respect to all identified material shortcomings in the application, including actionable recommendations on how the applicant could address the identified material shortcomings.[69] The proposed rule would articulate the required explanation as prescribed by the GENIUS Act in paragraph (b) of § 706.107. Paragraph (b) would state that if the NCUA denies a substantially complete application received under this subpart, not later than 30 days after the date of such denial, the NCUA shall provide the applicant with written notice explaining the denial with specificity, including all findings made with respect to all identified material shortcomings in the application and actionable recommendations on how the applicant could address the identified material shortcomings.

J. § 706.108. Opportunity for Hearing; Final Determination

In the event the NCUA denies an application to be an NCUA-licensed PPSI, the GENIUS Act provides the applicant with an opportunity for a hearing to appeal the denial.[70] Not later than 30 days after the date of receipt of any notice of the denial of an application, the applicant may request, in writing, an opportunity for a written or oral hearing before the Board to appeal the denial.[71] Upon receipt of a timely request for a hearing, the NCUA must notice a time (not later than 30 days after the date of receipt of the request) and place at which the applicant may appear, personally or through counsel, to submit written materials or provide oral testimony and oral argument.[72] Not later than 60 days after the date of a hearing under this section, the NCUA is required to notify the applicant of a final determination, which shall contain a statement of the basis for that determination, with specific findings.[73]

If an applicant does not make a timely request for a hearing to appeal the denial, the GENIUS Act requires the NCUA to notify the applicant, not later than 10 days after the date by which the applicant may have requested a hearing, in writing, that the denial of the application is a final determination of the NCUA.[74]

The NCUA proposes to adopt these requirements as prescribed by the GENIUS Act in § 706.108. The NCUA proposes that hearings to appeal the denial of an application to be an NCUA-licensed PPSI be before the Board. The Board believes that this appeal and hearing process should be excluded from the procedures in part 746 of the NCUA's regulations, which provides default procedures for appeals of material supervisory determinations and other initial agency determinations made by NCUA staff. However, the Board specifically requests comment as to these approaches and any alternatives the Board should consider. The Board also solicits comment as to whether it should amend part 746 to exclude an appeal of a denial of an application to be an NCUA-licensed PPSI from part 746.

K. § 706.109. Right To Reapply

The GENIUS Act explicitly states that the denial of an application shall not prohibit the applicant from filing a subsequent application.[75]

The NCUA proposes to replicate this right to reapply as prescribed by the GENIUS Act in § 706.109.

L. § 706.110. Certification of Anti-Money Laundering and Economic Sanctions Compliance Programs

Section 5(i)(1) of the GENIUS Act requires that, not later than 180 days after the approval of an application, and on an annual basis thereafter, each PPSI shall submit to its primary Federal payment stablecoin regulator a certification that the issuer has implemented anti-money laundering

[61] 12 U.S.C. 5904(d)(1)(A).

[62] *Id.*

[63] 12 U.S.C. 5904(d)(1)(B)(i).

[64] 12 U.S.C. 5904(d)(1)(B)(ii).

[65] 12 U.S.C. 5904(d)(1)(B)(iii).

[66] 12 U.S.C. 5904(d)(3).

[67] 12 U.S.C. 5904(d)(2)(A)(i).

[68] 12 U.S.C. 5904(d)(2)(A)(ii).

[69] 12 U.S.C. 5904(d)(2)(B).

[70] 12 U.S.C. 5904(d)(2)(C).

[71] 12 U.S.C. 5904(d)(2)(C)(i).

[72] 12 U.S.C. 5904(d)(2)(C)(ii).

[73] 12 U.S.C. 5904(d)(2)(C)(iii).

[74] 12 U.S.C. 5904(d)(2)(C)(iv).

[75] 12 U.S.C. 5904(d)(4).

and economic sanctions compliance programs that are reasonably designed to prevent the PPSI from facilitating money laundering, in particular, facilitating money laundering for cartels and organizations designated as foreign terrorist organizations under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189), and the financing of terrorist activities, consistent with the requirements of this Act.[76] Section 5(i)(2) requires a primary Federal payment stablecoin regulator to make these certifications available to the Secretary of the Treasury upon request.[77]

Section 5(i)(3) provides specific penalties for failing to submit the required certification or knowingly submitting a certification that is false.[78] The primary Federal payment stablecoin regulator may revoke the approval of a PPSI that fails to submit the required certification.[79] Additionally, any person that knowingly submits a certification that is false shall be subject to the criminal penalties set forth under section 1001 of title 18, United States Code.[80] If the NCUA or any other Federal or State payment stablecoin regulator, has reason to believe that any person has knowingly violated the certification requirement, the applicable regulator may refer the matter to the Attorney General or to the attorney general of the PPSI's host State.[81]

Consistent with section 5 of the GENIUS Act, paragraph (a) of § 706.110 of the proposed rule would require all NCUA-licensed PPSIs to certify to the NCUA that they have implemented anti-money laundering and economic sanctions compliance programs, within 180 days of application approval and annually thereafter. Paragraph (a) would specifically restate the GENIUS Act's requirement that these programs must be reasonably designed to prevent the issuer from facilitating money laundering, especially for cartels and foreign terrorist organizations,[82] and the financing of terrorist activities.

Paragraph (b) of the proposed rule would reiterate the GENIUS Act's requirement that failure to submit the certification required under paragraph (a) shall constitute cause for the NCUA to revoke its approval and licensure of the PPSI.

As required by the GENIUS Act, the NCUA will make these certifications available to the Secretary of the Treasury upon request. The proposed rule does not restate this requirement. The proposed rule also does not restate the GENIUS Act's criminal penalties for a knowingly false certification or the NCUA's authority to refer a person it believes has violated the certification requirement to the Attorney General. The Board views these statutory provisions as unnecessary to include in proposed § 706.110. However, the Board solicits commenter input as to whether it would be beneficial to include these statutory provisions in § 706.110. The Board also stresses that the provisions' lack of inclusion in the regulation does not limit their effect or the Board's ability to make referrals as allowed by the GENIUS Act.

M. § 706.111. Change in Control

As discussed previously, the proposed rule would require a joint application with both the Parent Company FICU(s) and proposed PPSI applying for an NCUA license. While this approach has administrative efficiencies, especially for widely held FICU subsidiaries, questions may arise as to whether an NCUA-licensed PPSI needs to reapply when its Parent Company(ies) changes. For example, if a FICU has a wholly owned subsidiary and sells it to a subsequent FICU, the underlying PPSI would remain licensed. However, without an additional filing with NCUA, the purchasing FICU would become a new Parent Company without NCUA approval and without NCUA finding that the FICU's Officers and Directors have the necessary competency, experience, and integrity to be a Parent Company of an NCUA-licensed PPSI, as is required by the GENIUS Act.[83] A similar problem would exist where a FICU's investment would make them a Parent Company of an already NCUA-licensed PPSI.

To provide clarity, paragraph (a) of § 706.111 of the proposed rule would require a FICU to provide the NCUA with a written notice sixty days prior to an acquisition that would make it a Parent Company of an NCUA-licensed PPSI. The Board would not require an application, but only prior notice with an opportunity for the NCUA to issue a notice of disapproval, to reduce burden to both acquiring FICUs and the NCUA.

Paragraph (b) of proposed § 706.111 would detail what must be included in the notice. The notice would generally include information related to the acquiring FICU and not the PPSI. This is intended to satisfy the GENIUS Act's requirement that the NCUA evaluate whether the FICU Parent Company's Officers and Directors have the necessary competency, experience, and integrity to be a Parent Company of an NCUA-licensed PPSI.[84] More specifically, proposed paragraph (b)(1) would require the biographical and financial report information described in § 706.105(f)(3) of this part be sufficient to allow the NCUA to (1) evaluate the competence, experience, and integrity of the proposed Parent Company's Officers and Directors in relation to payment stablecoins; and (2) evaluate the compliance record of these Officers and Directors with relevant laws and regulations. The Board envisions submission of the Biographical and Financial Report form, as is required by § 706.105(f)(3)(i), as an appropriate method for allowing the NCUA to ensure these statutory requirements are met. Finally, proposed paragraph (b)(2) would require the notice to include a certification that the proposed Parent Company will meet any commitments and conditions imposed by the NCUA in connection with its proposed investment.

Proposed § 706.111(c) would state that a FICU may proceed with its proposed investment to become a Parent Company of an NCUA-licensed PPSI at the end of the sixty-day period unless the NCUA issues a notice disapproving the proposed acquisition.

Proposed § 706.111(d) would state that the NCUA may disapprove a FICU's proposed investment to become a Parent Company of an NCUA-licensed PPSI if it determines that the competence, experience, or integrity of the FICU's Officers and Directors indicates that the investment would not be in the best interests of the PPSI or the public.

Finally, proposed § 706.111(e) would provide appeal rights related to an NCUA notice of disapproval. Specifically, the proposed rule would provide that no later than 30 days after the receipt of a notice of disapproval, the notificant may request, in writing, an opportunity for a written or oral hearing before the NCUA to appeal the denial.

Request for Comment: Does the prior notice requirement impose an undue burden on acquiring FICUs? Do commenters have alternative suggestions to ensure subsequent controlling interests in a PPSI meet the statutory factors for approval necessary when an PPSI license is initially acquired?

[76] 12 U.S.C. 5904(i)(1).
[77] 12 U.S.C. 5904(i)(2).
[78] 12 U.S.C. 5904(i)(3).
[79] 12 U.S.C. 5904(i)(3)(A).
[80] 12 U.S.C. 5904(i)(3)(B)(i).
[81] 12 U.S.C. 5904(i)(3)(B)(ii).
[82] As designated under 8 U.S.C. 1189.
[83] *See* 12 U.S.C. 5904(c)(3).
[84] *Id.*

N. § 706.112. Investment Limitation

Once a FICU has made an investment in a PPSI, the PPSI becomes a ''subsidiary of an insured credit union'' under the GENIUS Act. The GENIUS Act designates the NCUA as the primary Federal payment stablecoin regulator of subsidiaries of insured credit unions. Therefore, the Board is proposing to restrict FICU investment in any PPSI to only those with an NCUA license.

The Board understands that FICUs may seek to invest in PPSIs that meet the PPSI definition because they are a subsidiary of a non-FICU IDI, are a Federal qualified payment stablecoin issuer,[85] or a State qualified payment stablecoin issuer.[86] The Board is also aware that these investments may create ambiguity regarding designation of the primary Federal payment stablecoin regulator. The NCUA and the other primary Federal payment stablecoin regulators may address potential interjurisdictional issues in the future.

Request for Comment: The Board solicits feedback as to commenters' views on FICUs seeking to invest in a PPSI that is already licensed by another primary Federal payment stablecoin regulator. What steps or applications, if any, should the NCUA require with respect to the FICU's interest in the PPSI?

Request for Comment: Can a PPSI that is already licensed and supervised by another primary Federal payment stablecoin regulator also be considered a FICU subsidiary? How, if at all, should the NCUA approve and supervise the PPSI or the FICU's engagement with the PPSI? Should this answer depend on the relative size of the FICU's interest?

O. Safe Harbor for Pending Applications

Section 5(f) of the GENIUS Act provides that a primary Federal payment stablecoin regulator may waive the application of the requirements of the GENIUS Act for a period not to exceed 12 months beginning on the effective date of the GENIUS Act, with respect to a subsidiary of an IDI, if the IDI has an application pending for the subsidiary to become a PPSI on that effective date.[87]

The NCUA is not proposing language to address this waiver in subpart A of part 706. The Board believes that the statute provides clear waiver authority for the NCUA, either on a general or case-by-case basis, if the proposed payment stablecoin issuer has an application pending to become a PPSI on that effective date.

The NCUA solicits input as to this approach and whether it should instead include regulatory language addressing the waiver authority.

P. Relation to Other Licensing Requirements

Section 5(h) of the GENIUS Act provides that the provisions of Section 5 supersede and preempt any State requirement for a charter, license, or other authorization to do business with respect to a Federal qualified payment stablecoin issuer or subsidiary of an IDI that is approved under this section to be a PPSI.[88] However, it also clarifies that nothing in this subsection preempts or supersedes the authority of a State to charter, license, supervise, or regulate an IDI chartered in such State or to supervise a subsidiary of such IDI that is approved under this section to be a PPSI.[89]

The NCUA is not proposing language to specifically address this preemption in subpart A of part 706. The Board believes the preemptive effect of section 5(h) is clear and unnecessary to include in the NCUA's regulations. The NCUA solicits input as to this determination and whether it should instead include regulatory language addressing preemption.

Q. Reports on Pending Applications

Section 5(e) of the GENIUS Act requires each primary Federal payment stablecoin regulator to notify Congress upon beginning to process applications under the GENIUS Act.[90] It also requires each primary Federal payment stablecoin regulator to annually report to Congress on the applications that have been pending for 180 days or more since the date the initial application was filed and for which the applicant has been informed that the application remains incomplete. The report must include documentation on the status of such applications and why such applications have not yet been approved.[91]

The NCUA is committed to meeting these notice and reporting requirements.

IV. Regulatory Procedures

A. Providing Accountability Through Transparency Act of 2023

The Providing Accountability Through Transparency Act of 2023 (5 U.S.C. 553(b)(4)) (Act) requires that a notice of proposed rulemaking include the internet address of a summary of not more than 100 words in length of a proposed rule, in plain language, that shall be posted on the internet website under section 206(d) of the E-Government Act of 2002 (44 U.S.C. 3501 note) (commonly known as *regulations.gov*).

In summary, the proposed rule would implement the process for approval and licensure of permitted payment stablecoin issuers (PPSIs) subject to the NCUA's jurisdiction, as required by the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act). It would also limit Federally insured credit unions (FICUs) to investing in NCUA-licensed PPSIs. The GENIUS Act charges the NCUA with licensing, regulating, and supervising payment stablecoin issuers that are subsidiaries of FICUs and requires the NCUA to issue implementing regulations by July 18th, 2026.

The proposal and the required summary can be found at *https://www.regulations.gov.*

B. Executive Orders 12866, 13563, and 14192

Pursuant to Executive Order 12866 (''Regulatory Planning and Review''), as amended by Executive Order 14215, a determination must be made whether a regulatory action is significant and therefore subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the Executive Order.[92] Executive Order 13563 (''Improving Regulation and Regulatory Review'') supplements and reaffirms the principles, structures, and definitions governing contemporary regulatory review established in Executive Order 12866.[93] This proposed rule was drafted and reviewed in accordance with Executive Order 12866 and Executive Order 13563. OMB has determined that this proposed rule is a ''significant regulatory action'' as defined in section 3(f) of Executive Order 12866. Executive Order 14192 (''Unleashing Prosperity Through Deregulation'') requires that any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations.[94] This proposed rule is not expected to be a regulatory action under Executive Order 14192 because it imposes no more than de minimis costs.

[85] *See* 12 U.S.C. 5901(11).

[86] *See* 12 U.S.C. 5901(31).

[87] 12 U.S.C. 5904(f)(1).

[88] 12 U.S.C. 5904(h).

[89] *Id.*

[90] 12 U.S.C. 5904(e)(1).

[91] 12 U.S.C. 5904(e)(2).

[92] 58 FR 51735 (Oct. 4, 1993).

[93] 76 FR 3821 (Jan. 21, 2011).

[94] 90 FR 9065 (Feb. 6, 2025).

C. Regulatory Flexibility Act

The Regulatory Flexibility Act [95] generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. If the agency makes such a certification, it shall publish the certification at the time of publication of either the proposed rule or the final rule, along with a statement providing the factual basis for such certification.[96] For purposes of this analysis, the NCUA considers small credit unions to be those having under $100 million in assets.[97] The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions.

This rule will only apply to FICUs that wish to invest in NCUA-approved PPSIs, which are generally CUSOs for purposes of this rule. The NCUA does not anticipate a significant number of small credit unions will invest in PPSIs or work with a subsidiary (CUSO) to apply to become a PPSI. As of June 30, 2025, only 19 percent of small credit unions have invested in a CUSO, compared to 71 percent of credit unions with assets over $100 million.

Accordingly, the NCUA certifies the proposed rule would not have a significant economic impact on a substantial number of small credit unions.

D. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (PRA) applies to rulemaking in which an agency creates a new or amends existing information collection requirements. For purposes of the PRA, an information collection requirement may take the form of a reporting, recordkeeping, or a third-party disclosure requirement. The NCUA may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a valid Office of Management and Budget (OMB) control number.

The proposed rule will require a new information collection request to be submitted to OMB for approval under the PRA. The NCUA is submitting a copy of this proposal to OMB for its review and approval. Persons interested in submitting comments with respect to the information collection aspects and the estimated burden of the proposed rule should submit them via email or to OMB as noted below.

Estimated PRA Burden

The proposed rule contains information collection reporting requirements that would impose PRA burden governing the application and licensing of permitted payment stablecoin issuers (PPSIs). The NCUA estimates a total annual burden of 440 hours as follows:

OMB Control Number: 3133–NEW.

Title of Information Collection: Application and Licensing of Permitted Payment Stablecoin Issuers.

Estimated number of respondents: 10.

Estimated number of responses per respondent: 1.

Estimated total annual responses: 10.

Estimated total annual burden hours per response: 44.

Estimated total annual burden hours: 440.

For each information collection activity, the burden table lists the estimated annual number of responses per respondent and estimated time per response.

NCUA Summary of Estimated Annual Burden

[3133–NEW]

Information collection (IC) activity	Type of burden (frequency of response)	Number of respondents	Number of responses per respondent	Average time per response (hours)	Total estimated annual burden (hours)
Application to issue payment stablecoins 12 CFR 706 (Mandatory).	Reporting (One-Time)	10	1	40	400
NCUA Biographical and Financial Report Form.	Reporting (One-Time)	10	1	4	40
Total Estimated Annual Burden		10	1	44	440

The NCUA invites comments on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and cost of operation, maintenance, and purchase of services to provide information.

All comments are a matter of public record. Interested persons are invited to submit written comments via email to (1) *PRAComments@ncua.gov* or (2) visit *www.reginfo.gov/public/do/PRAMain* (find this particular information collection by selecting the tab titled ''Information Collection Review'' and click on to the section titled ''Currently under Review—Open for Public comment'').

E. Executive Order 13132 on Federalism

Executive Order 13132 encourages regulatory agencies to consider the impact of their actions on State and local interests. The NCUA, an agency as defined in 44 U.S.C. 3502(5), complies with the executive order to adhere to fundamental federalism principles. As required by the GENIUS Act, the proposed rule would require that all FICU subsidiaries, including subsidiaries of FISCUs, seeking to become PPSIs apply to the NCUA for licensure. As any subsidiary of a FISCU cannot be licensed a permitted State payment stablecoin regulator, the rulemaking would not have direct effect

[95] 5 U.S.C. 601 *et seq.*

[96] 5 U.S.C. 605(b).

[97] 80 FR 57512 (Sept. 24, 2015).

on the states, the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government.

F. Assessment of Federal Regulations and Policies on Families

The NCUA has determined that this proposed rule would not affect family well-being within the meaning of Section 654 of the Treasury and General Government Appropriations Act, 1999.[98] While the proposed rule could contribute to an expansion in access to payment stablecoin services, the effect would be indirect and not easily quantifiable.

List of Subjects in 12 CFR Part 706

Accounting, Advertising, Anti-Money Laundering, Appeals, Applications, Control, Credit unions, Credit union service organizations, Deadlines, Denials, Federal Credit Union Act, Filings, Guiding and Establishing National Innovation for U.S. Stablecoins Act, Hearings, Investigations, Investments, Jurisdiction, Licensing, Payment stablecoins, Permitted payment stablecoin issuers, Reports, Requirements, Safe harbor, Sanctions, Shareholders, Subsidiaries, Technology.

By the National Credit Union Administration Board, this 10th day of February, 2026.

Melane Conyers-Ausbrooks,

Secretary of the Board.

■ For the reasons stated in the preamble, the NCUA Board proposes to amend title 12 of the Code of Federal Regulations and add reserved part 706 to Subchapter A to read as follows:

CHAPTER VII—NATIONAL CREDIT UNION ADMINISTRATION

SUBCHAPTER A—REGULATIONS AFFECTING CREDIT UNIONS

PART 706—PAYMENT STABLECOINS

Sec.

Authority: 12 U.S.C. 5901 *et seq.;* 12 U.S.C. 1766(a), 1786(b), and 1789(a)(11).

§ 706.1 Authority, purpose, and scope.

(a) *Authority and purpose.* The NCUA is issuing this part pursuant to its authority under the Guiding and Establishing National Innovation for U.S. Stablecoins Act or GENIUS Act (12 U.S.C. 5901 *et seq.*).

(b) *Scope.* This part applies to insured credit unions and all payment stablecoin issuers with investment or loans from insured credit unions and sets forth the requirements for NCUA-issued licenses.

(c) *No limitation of authority.* Nothing in this part shall be read to limit the authority of the NCUA to take action under other law, including action to address unsafe or unsound practices or conditions, or violations of law or regulation, under section 206 of the FCU Act.

§ 706.2 Definitions.

Unless otherwise provided in this part, the terms used in this part have the same meanings as set forth in 12 U.S.C. 1752 and 5901. All accounting terms not otherwise defined in this section have meanings consistent with the commonly accepted meanings under United States generally accepted accounting principles (U.S. GAAP). The following definitions apply to this part:

Applying Issuer means any entity applying to the NCUA for an NCUA permitted payment stablecoin license.

Director means an individual who serves on the board of directors of an Applying Issuer, a Parent Company of the Applying Issuer, or a Principal Shareholder of the Applying Issuer.

Issuing Group means the Applying Issuer and Parent Company(ies), and the Officers, Directors, and Principal Shareholders, if applicable, of the Applying Issuer, its subsidiaries, and Parent Company(ies).

NCUA-Licensed Permitted Payment Stablecoin Issuer means a person formed in the United States that is a Subsidiary of an Insured Credit Union that has been approved and licensed by the NCUA under subpart A to issue payment stablecoins.

Officer means the president, chief executive officer, chief operating officer, chief financial officer, chief technology officer, chief lending officer, chief investment officer, chief risk officer, Bank Secrecy Act officer, and any other individual the NCUA identifies in writing to the Issuing Group who exercises significant influence over, or participates in, major policy making decisions of the Issuing Group without regard to title, salary, or compensation. The term also includes employees of entities retained by an Issuing Group to perform such functions in lieu of directly hiring the individuals.

Parent Company means an insured credit union(s) that will own, control or hold the power to vote 10 percent or more of any class of voting securities, or has the ability to direct the management or policies, of a Permitted Payment Stablecoin Issuer. If no insured credit union will own, control or hold the power to vote 10 percent or more of any class of voting securities, the insured credit union with the largest percentage of voting securities in relation to all other insured credit unions is considered the Parent Company.

Principal Shareholder means a person other than an insured credit union that directly or indirectly or acting in concert with one or more persons or companies, or together with members of their immediate family, will own, control, or hold the power to vote 10 percent or more of any class of voting securities.

Subsidiary of an Insured Credit Union means—

(A) An organization providing services to the insured credit union that are associated with the routine operations of credit unions, as described in section 107(7)(I) of the Federal Credit Union Act (12 U.S.C. 1757(7)(I));

(B) A credit union service organization, as such term is used under part 712 of this title, with respect to which the insured credit union has an ownership interest or to which the insured credit union has extended a loan;

(C) A subsidiary of a State chartered insured credit union authorized under State law; and

(D) A subsidiary of any entity that meets the definition of a Subsidiary of an Insured Credit Union. All tiers or levels of a Subsidiary of an Insured Credit Union are included as a Subsidiary of an Insured Credit Union.

Subpart A—Investment in and Approval of Issuers That Are Subsidiaries of Insured Credit Unions

§ 706.101 Scope.

This subpart establishes the NCUA rules and procedures for insured credit unions seeking to invest in payment stablecoin issuers and for insured credit unions and their subsidiaries to jointly apply for an NCUA permitted payment stablecoin issuer license. It contains information on rules of applicability, where and how to file, and requirements and policies applicable to filings.

[98] Public Law 105–277, 112 Stat. 2681 (1998).

§ 706.102 Rules of general applicability.

(a) *NCUA's Permitted Stablecoin Issuer Licensing Manual.* The NCUA's ''Permitted Stablecoin Issuer Licensing Manual'' (Payment Stablecoin Issuer Manual) provides additional filing guidance, including policies and procedures. This Manual and sample forms are available at *www.ncua.gov.*

(b) *Electronic filing.* The NCUA encourages electronic filing for all filings. The NCUA's Payment Stablecoin Issuer Manual describes the NCUA's electronic filing procedures.

(c) *Reservation of authority.* The rules in this subpart apply to all sections in this part unless otherwise stated. The NCUA may adopt materially different procedures for a particular filing, or class of filings as it deems necessary, for example, in exceptional circumstances or for unusual transactions, after providing notice of the change to the filer and to any other party that the NCUA determines should receive notice.

(d) *Computation of time.* In computing the period of days under this subpart, the NCUA does not include the day of the act or event (*e.g.,* the date a filing is received by the NCUA) from which the period begins to run. When the last day of a period is a Saturday, Sunday, or Federal holiday, the period runs until the end of the next day that is not a Saturday, Sunday or Federal holiday.

§ 706.103 Filing required.

(a) *Filing.* A Subsidiary of an Insured Credit Union who seeks to issue payment stablecoins must apply to the NCUA for an NCUA permitted payment stablecoin issuer license and receive approval before issuing payment stablecoins. This application must be filed jointly with any insured credit union Parent Company(ies).

(b) *Where to file.* Any submission under this part should be submitted as provided in the NCUA's Payment Stablecoin Issuer Manual.

(c) *Prefiling meeting.* Before submitting a filing to the NCUA, a potential filer may contact the NCUA to discuss whether a prefiling meeting would be beneficial. The NCUA may grant a prefiling meeting on a case-by-case basis. Submission of a draft business plan or other relevant information before any prefiling meeting may expedite the filing review process. A potential filer considering a novel, complex, or unique proposal is encouraged to contact the NCUA to request a prefiling meeting early in the development of its proposal for the early identification and consideration of policy issues. Information on model business plans can be found in the NCUA's Payment Stablecoin Issuer Manual.

(d) *Certification.* An Applying Issuer, and all of its Parent Companies and any Principal Shareholders, must certify in writing that any filing or supporting material submitted to the NCUA contains no material misrepresentations or omissions. The NCUA may review and verify any information filed in connection with a notice or an application. Any person responsible for any material misrepresentation or omission in a filing or supporting materials may be subject to enforcement action and other penalties, including criminal penalties provided in 18 U.S.C. 1001.

(e) *Filing fees.*

(1) The NCUA may require filing fees to accompany certain filings made under this subpart before it will accept those filings. If the NCUA requires the aforementioned filing fee, the NCUA will publish an applicable fee schedule on its website at *http://www.NCUA.gov.*

(2) Filing fees must be paid to the NCUA by electronic transfer.

§ 706.104 Investigations.

(a) *Authority.* The NCUA may examine or investigate and evaluate facts related to a filing to the extent necessary to reach an informed decision.

(b) *Fingerprints.* For certain filings, the NCUA requires fingerprints for a biometric based criminal history search.

§ 706.105 Evaluation of applications and factors to be considered.

(a) *Scope.* This section describes the procedures and requirements governing NCUA evaluation of an application to be an NCUA-Licensed Permitted Payment Stablecoin Issuer. The NCUA will evaluate each substantially complete application to determine whether approval would be consistent with the safety and soundness of the Applying Issuer based on the statutory evaluation factors set forth in this section. An applicant should consult the NCUA's Payment Stablecoin Issuer Manual to determine what other information is necessary for the NCUA to evaluate an application using the statutory evaluation factors described in this section.

(b) *Statutory evaluation factors.* The NCUA grants permitted payment stablecoin licenses under the authority of the Guiding and Establishing National Innovation for U.S. Stablecoins Act, 12 U.S.C. 5901 *et seq.,* which requires the NCUA to evaluate:

(1) The ability of the Applying Issuer, based on financial condition and resources, to meet the requirements set forth under 12 U.S.C. 5903 and incorporated in subpart B of part 706;

(2) Whether an individual who has been convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud is serving as an Officer or Director of the Applying Issuer;

(3) The competence, experience, and integrity of the Officers, Directors, and Principal Shareholders of the Applying Issuer, its subsidiaries, and Parent Company, including:

(i) the record of those Officers, Directors, and Principal Shareholders of compliance with laws and regulations; and

(ii) the ability of those Officers, Directors, and Principal Shareholders to fulfill any commitments to, and any conditions imposed by, the NCUA in connection with the application at issue and any prior applications;

(4) Whether the redemption policy of the Applying Issuer meets the standards under 12 U.S.C. 5903(a)(1)(B) and incorporated in subpart B of part 706; and

(5) Any other factors established by the NCUA that are necessary to ensure the safety and soundness of the Applying Issuer.

(c) *Policy—*

(1) *In general.* In determining whether to approve an application to be an NCUA-Licensed Permitted Payment Stablecoin Issuer based on the statutory evaluation criteria in paragraph (c), the NCUA is guided by the following policy considerations as they relate to the Applying Issuer:

(i) Whether an Issuing Group has a record of compliance with laws and regulations and whether the Issuing Group is familiar with the laws and regulations applicable to NCUA-Licensed Permitted Payment Stablecoin Issuers and digital asset service providers;

(ii) Whether an Issuing Group has the ability to fulfill any commitments to, and any conditions imposed by, the NCUA in connection with the application at issue and any prior applications;

(iii) Whether an Issuing Group has competent management, including a board of directors, with ability and experience relevant to the types of services to be provided;

(iv) Whether an applicant has capital, liquidity, and capital and liquidity plans sufficient to support the projected volume and type of business;

(v) Whether an applicant has a redemption policy that meets all requirements in subpart B of this part;

(vi) Whether an applicant can reasonably be expected to achieve and maintain profitability; and

(vii) Whether an applicant can be operated in a safe and sound manner by evaluating criteria including, but not limited to, the following:

(A) the ability to meet the operational, compliance, and information technology risk management requirements and standards outlined in subparts B of this part; and

(B) the ability to maintain sufficient technological capabilities to comply with the terms of any lawful order and all applicable laws and regulations.

(2) *NCUA evaluation.* The NCUA evaluates an Issuing Group and its business plan together. The NCUA's judgment concerning one may affect the evaluation of the other. An Issuing Group and its business plan must be stronger in markets where economic conditions are marginal, competition is intense, or the services to be provided have greater or unknown risk.

(d) *Issuing group*—

(1) *In general.* An Issuing Group must have the competence, experience, and integrity to be active in directing the Applying Issuer's affairs in a safe and sound manner. The business plan and other information supplied in the application, including the completed NCUA Biographical and Financial Report forms, must demonstrate an Issuing Group's collective ability to establish and operate a successful permitted payment stablecoin issuer in the economic and competitive conditions of the market to be served. This collective ability must be demonstrated with consideration of the activities to be engaged in by the Applying Issuer and the services it intends to provide. Each member of the Issuing Group must be knowledgeable about the business plan. An inadequate business plan may be a reason for the NCUA to deny an application because it reflects adversely on the Issuing Group's qualifications.

(2) *Management selection.* The initial board of directors must select competent Officers before the NCUA grants an NCUA permitted payment stablecoin license. Early selection of Officers, especially the chief executive officer, contributes favorably to the preparation and review of a business plan that is accurate, complete, and appropriate for the activities the proposed permitted payment stablecoin issuer intends to engage in, and is necessary for a substantially complete application.

(3) *Financial resources.*

(i) Each member of the Issuing Group must have a history of responsibility, personal honesty, and integrity.

(ii) The Issuing Group must have a realistic plan to enable the Applying Issuer to obtain capital and liquidity when needed.

(iii) Any financial or other business arrangement, direct or indirect, between the Issuing Group or other insiders and the Applying Issuer must be on nonpreferential terms.

(e) *Business plan*—

(1) *In general.*

(i) An Applying Issuer must submit a business plan that adequately addresses the statutory and related policy considerations set forth in paragraphs (b) and (c) of this section. The plan must reflect sound business and financial principles and demonstrate realistic assessments of risk in light of economic and competitive conditions in the market to be served and the services to be provided.

(ii) The NCUA may offset deficiencies in one factor by strengths in one or more other factors. However, deficiencies in some factors, such as unrealistic earnings prospects, may have a negative influence on the evaluation of other factors, such as capital adequacy, or may be serious enough by themselves to result in denial. The NCUA considers inadequacies in a business plan to reflect negatively on the Issuing Group's ability to operate a successful NCUA-Licensed Permitted Payment Stablecoin Issuer.

(2) *Earnings prospects and financial condition.* An Applying Issuer must submit balance sheets and income statements that demonstrate financial stability and earnings prospects as part of the business plan. This would include both actual and *pro forma* balance sheets and income statements, as applicable based on the availability of actual financial statements. The NCUA reviews all *pro forma* projections for reasonableness of assumptions and consistency with the business plan.

(3) *Management.*

(i) The Applying Issuer must include in the business plan information sufficient to permit the NCUA to evaluate the overall management ability of the Issuing Group. If the Issuing Group has limited relevant experience, the Officers of the applying issuer must be able to compensate for such deficiencies.

(ii) The Applying Issuer may not hire an Officer or elect or appoint a Director if the NCUA objects to that person at any time prior to the date the Applying Issuer commences business.

(iii) All Issuing Group Officers, Directors, and any Principal Shareholders must also submit the Biographical and Financial Report information described in paragraph (f)(3) of this section to allow the NCUA to evaluate the competence, experience, and integrity of the Officers, Directors, and Principal Shareholders of the Applying Issuer, its subsidiaries, and Parent Company or Parent Companies as described in paragraph (b)(3).

(4) *Capital.* An Applying Issuer must have sufficient initial capital, net of any organizational expenses that will be charged to the Applying Issuer's capital after it begins operations, to support the Applying Issuer's projected volume and type of business as outlined in the business plan. An Applying Issuer also must have a longer-term capital plan that is sufficient to support the future projected volume and type of business and is consistent with the capital requirements in subpart B of this part.

(5) *Liquidity and reserve asset diversification.* An Applying Issuer's business plan must address its liquidity and reserve asset diversification practice. Issuers must have liquidity and reserve asset diversification policies that meet the requirements of subpart B of this part.

(6) *Safety and soundness.* The business plan must demonstrate that the Applying Issuer is aware of, and understands, applicable laws and regulations, and how to conduct safe and sound operations and practices.

(f) *Procedures*—

(1) *Prefiling meeting.* The Issuing Group of an Applying Issuer may request a prefiling meeting with the NCUA before the Applying Issuer files an application. The prefiling meeting normally is held virtually.

(2) *Business plan.* An applying issuer must file a business plan that addresses the subjects discussed in paragraph (e) of this section.

(3) *Biographical and financial reports.*

(i) Each Director or Officer or proposed Director or Officer of a member of the Issuing Group or Principal Shareholder must submit to the NCUA the information prescribed in the NCUA's Biographical and Financial Report, available at *www.ncua.gov;*

(ii) Each Director or Officer or proposed Director or Officer of the Applying Issuer must submit legible fingerprints for a biometric based criminal history search; and

(iii) The NCUA may request additional information about any Director or Officer, or proposed Director or Officer, or any Principal Shareholder, if appropriate. The NCUA may waive any of the information requirements of this paragraph if the NCUA determines that it is in the public interest.

(4) *Contact person.* The Applying Issuer must designate a contact person

to represent the Issuing Group in all contacts with the NCUA.

(5) *Decision notification.* The NCUA notifies the contact person and other relevant parties in writing of its decision on an application.

(6) *Activities.* Before the NCUA grants a license to an Applying Issuer, the Applying Issuer must be established as a legal entity under State law.

§ 706.106 Timing for decision on applications.

(a) *In general.* Not later than 120 days after receiving a substantially complete application for license as an NCUA-Licensed Permitted Payment Stablecoin Issuer, the NCUA will render a decision on the application. If the NCUA fails to render a decision on a complete application within this period, the application shall be deemed approved.

(b) *Substantially complete applications.*

(1) An application is considered substantially complete if the application contains sufficient information for the NCUA to render a decision on whether the Applying Issuer satisfies the factors described in 706.105.

(2) Not later than 30 days after receiving an application, the NCUA will notify the Applying Issuer as to whether the NCUA determined the application to be substantially complete and, if the application is not substantially complete, the additional information the Applying Issuer must provide for the application to be considered substantially complete.

(3) Material Change in Circumstances. An application considered substantially complete under this section will remain substantially complete unless there is a material change in circumstances that requires the NCUA to treat the application as a new application.

§ 706.107 Denial.

(a) *Grounds for denial.*

(1) *In general.* The NCUA will only deny a substantially complete application received under this subpart if the NCUA determines that the activities of the Applying Issuer would be unsafe or unsound based on the statutory evaluation factors described in § 706.104.

(2) *Issuance on open, public, or decentralized network not grounds for denial.* The issuance of a payment stablecoin on an open, public, or decentralized network is not a valid ground for denial of an application received under this subpart.

(b) *Explanation required.* If the NCUA denies a substantially complete application received under this subpart, not later than 30 days after the date of such denial, the NCUA shall provide the Applying Issuer with written notice explaining the denial with specificity, including all findings made with respect to all identified material shortcomings in the application and actionable recommendations on how the Applying Issuer could address the identified material shortcomings.

§ 706.108 Opportunity for hearing; final determination.

(a) *In general.* Not later than 30 days after the date of receipt of any notice of the denial of an application under this subpart, the Applying Issuer may request, in writing, an opportunity for a written or oral hearing before the NCUA Board to appeal the denial.

(b) Timing. Upon receipt of a timely hearing request, the NCUA will notice a time not later than 30 days after the date of receipt of the request and place at which the Applying Issuer may appear, personally or through counsel, to submit written materials or provide oral testimony and oral argument.

(c) Final determination. Not later than 60 days after the date of a hearing under this section, the NCUA will notify the Applying Issuer of a final determination, which will contain a statement of the basis for that determination, with specific findings.

(d) Notice if no hearing. If an applicant does not make a timely request for a hearing under this section, the NCUA will notify the Applying Issuer, not later than 10 days after the date by which the Applying Issuer may request a hearing under this subparagraph, in writing, that the denial of the application is a final determination of the NCUA.

§ 706.109 Right to reapply.

The denial of an application under this subpart does not prohibit the Applying Issuer from filing a subsequent application.

§ 706.110 Certification of anti-money laundering and economic sanctions compliance programs.

(a) *In general.* Not later than 180 days after the approval of an application, and on an annual basis thereafter, each NCUA-Licensed Permitted Payment Stablecoin Issuer must submit to the NCUA written certification that the NCUA-Licensed Permitted Payment Stablecoin Issuer has implemented anti-money laundering and economic sanctions compliance programs that are reasonably designed to prevent the NCUA-Licensed Permitted Payment Stablecoin Issuer from facilitating money laundering, in particular, facilitating money laundering for cartels and organizations designated as foreign terrorist organizations under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189), and the financing of terrorist activities, consistent with the requirements of this Act.

(b) *Failure to submit certification.* The failure by an NCUA-Licensed Permitted Payment Stablecoin Issuer to submit the certification required under paragraph (a) constitutes cause for the NCUA to revoke the approval and license of the NCUA-Licensed Permitted Payment Stablecoin Issuer.

§ 706.111 Change in control.

(a) *Change in control.* An insured credit union must provide the NCUA with sixty days' prior written notice of a proposed acquisition that would cause it to become a Parent Company of an NCUA-Licensed Permitted Payment Stablecoin Issuer.

(b) *Notice.* The notice must include:

(1) Biographical and financial report information described in § 706.105(f)(3) of this part sufficient to allow the NCUA to

(i) Evaluate the competence, experience, and integrity of the proposed Parent Company's Officers and Directors related to payment stablecoins; and

(ii) Evaluate the record of the proposed Parent Company's Officer and Directors with compliance with laws and regulations; and

(2) A certification that the proposed Parent Company will fulfill any commitments to, any conditions imposed by, the NCUA in connection with its proposed investment.

(c) *Timing.* The insured credit union may complete its proposed investment to become a Parent Company of an NCUA-Licensed Permitted Payment Stablecoin Issuer at the end of the sixty-day period unless the NCUA issues a notice disapproving the proposed acquisition.

(d) *Notice of disapproval.* The NCUA may disapprove of an insured credit union's proposed investment to become a Parent Company of an NCUA-Licensed Permitted Payment Stablecoin Issuer if it finds that the competence, experience, or integrity of the insured credit union's Officers and Directors indicates the investment would not be in the best interests of the NCUA-Licensed Permitted Payment Stablecoin Issuer or of the public.

(e) *Appeal.* Not later than 30 days after the date of receipt of the notice of disapproval, the notificant may request, in writing, an opportunity for a written or oral hearing before the NCUA to appeal the denial.

§ 706.112 Investment limitation.

An insured credit union cannot invest in a payment stablecoin issuer unless it is an NCUA-Licensed Permitted Payment Stablecoin Issuer.

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DEPARTMENT OF AGRICULTURE

Forest Service

36 CFR Part 242

DEPARTMENT OF THE INTERIOR

43 CFR Part 51

[Docket No. DOI–2025–0071; 256D0102DM DS61900000 DMSN00000.000000 DX61901]

RIN 1090–AB31

Subsistence Management Regulations for Public Lands in Alaska—2027–28 and 2028–29 Subsistence Taking of Fish and Shellfish Regulations

AGENCY: Office of Subsistence Management, Interior; Forest Service, Agriculture.

ACTION: Proposed rule.

SUMMARY: This proposed rule would update regulations for fish and shellfish seasons, harvest limits, methods, and means related to taking of fish and shellfish for subsistence uses during the 2027–2028 and 2028–2029 regulatory years. The Federal Subsistence Board (the Board) is on a schedule of completing the process of revising subsistence take of fish and shellfish regulations in odd-numbered years and subsistence take of wildlife regulations in even-numbered years; public proposal and review processes take place during the preceding year. The Board also addresses customary and traditional use determinations during the applicable cycle and rural determinations every other fish and shellfish regulatory cycle. When final, the resulting rulemaking will replace the existing subsistence fish and shellfish taking regulations. This proposed rule could also amend the general regulations on subsistence taking of fish and wildlife. During this rulemaking cycle, the Board will accept proposals for rural determinations that will be decided by the Board during the subsequent fish and shellfish regulatory cycle.

DATES:

Public meetings: The Federal Subsistence Regional Advisory Councils (the Councils) will receive comments and make proposals to change this proposed rule during public meetings held between February 17, 2026, and April 1, 2026. The Councils will hold another round of public meetings to discuss and receive comments on the proposals and make recommendations on the proposals to the Board between September 24, 2026, and October 29, 2026 (see Alaska Subsistence Regional Advisory Council Meetings for 2026; 91 FR 3921; January 29, 2026). The Board will discuss and evaluate proposed regulatory changes during a public meeting in Anchorage, Alaska, in February 2027. See **SUPPLEMENTARY INFORMATION** for specific information on dates and locations of the public meetings.

Public comments: Comments and proposals to change this proposed rule must be received or postmarked by April 3, 2026.

ADDRESSES:

Public meetings: The Board and the Councils' public meetings are held at various locations in Alaska. See **SUPPLEMENTARY INFORMATION** for specific information on dates and locations of the public meetings.

Public comments: You may submit comments by one of the following methods:

Electronically: Go to the Federal Rulemaking Portal: *https://www.regulations.gov.* In the Search box, enter Docket number DOI–2025–0071. Then, click on the Search button. On the resulting page, in the Search panel on the left side of the screen, under the Document Type heading, check the Proposed Rule box to locate this document. You may submit a comment by clicking on ''Comment.''

By hard copy: Submit by U.S. mail or hand delivery: Regulations, Attn: DOI–2025–0071; Office of Subsistence Management; 1011 E Tudor Road M/S 121; Anchorage, AK 99503. If in-person Council meetings are held, you may also deliver a hard copy to the Designated Federal Officer attending any of the Councils' public meetings. See **SUPPLEMENTARY INFORMATION** for additional information on locations of the public meetings.

We will post all comments on *http://www.regulations.gov.* This generally means that we will post any personal information you provide us (see the Public Review Process section below for more information).

FOR FURTHER INFORMATION CONTACT: Chair, Federal Subsistence Board, c/o Office of Subsistence Management, Attention: Crystal Leonetti, Director; (907) 786–3888 or *subsistence@ios.doi.gov.* For questions specific to National Forest System lands, contact Gregory Risdahl, Subsistence Program Leader, USDA, Forest Service, Alaska Region; (907) 302–7354 or *gregory.risdahl@usda.gov.* In compliance with the Providing Accountability Through Transparency Act of 2023, please see Docket No. DOI–2025–0071 on *https://www.regulations.gov* for a document that summarizes this proposed rule.

SUPPLEMENTARY INFORMATION:

Background

Under title VIII of the Alaska National Interest Lands Conservation Act (ANILCA) (16 U.S.C. 3111–3126), the Secretary of the Interior and the Secretary of Agriculture (hereafter referred to as ''the Secretaries'') jointly implement the Federal Subsistence Management Program (the Program). The Program provides a preference for take of fish and wildlife resources for subsistence uses on Federal public lands and waters in Alaska. Only Alaska residents of areas or communities identified as rural are eligible to participate in the Program. The Secretaries published temporary regulations to carry out the Program in the **Federal Register** on June 29, 1990 (55 FR 27114), and final regulations on May 29, 1992 (57 FR 22940). Program officials have subsequently amended these regulations a number of times. Because the Program is a joint effort between the Departments of the Interior and Agriculture, these regulations are located in two titles of the Code of Federal Regulations (CFR): The Agriculture regulations are at title 36, ''Parks, Forests, and Public Property,'' and the Interior regulations are at title 43, ''Public Lands: Interior,'' at 36 CFR 242.1–28 and 43 CFR 51.1–28, respectively. Consequently, to indicate that identical changes are proposed for regulations in both titles 36 and 43, in this document we will present references to specific sections of the CFR as shown in the following example: § __.27.

The Program regulations contain subparts as follows: Subpart A, General Provisions; Subpart B, Program Structure; Subpart C, Board Determinations; and Subpart D, Subsistence Taking of Fish and Wildlife. Consistent with subpart B of these regulations, the Secretaries established a Federal Subsistence Board (the Board) to administer the Program. The Board comprises:

- A Chair appointed by the Secretary of the Interior with concurrence of the Secretary of Agriculture;
- Five public members appointed by the Secretary of the Interior with