



June 9, 2026

Ms. Jennifer M. Jones
Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions; RIN 3064-AG19; 91 Fed. Reg. 18534

Dear Ms. Jones:

The Institute of Internal Auditors (The IIA) respectfully submits this comment in response to the Federal Deposit Insurance Corporation's (FDIC) notice of proposed rulemaking (NPRM) implementing provisions of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) applicable to FDIC-supervised permitted payment stablecoin issuers (PPSIs) and insured depository institutions.¹ 91 Fed. Reg. 18534 (Apr. 10, 2026). In particular, The IIA wishes to address the internal audit system requirements in proposed 12 C.F.R. § 350.6(a)(2), the related internal controls requirements in proposed § 350.6(a)(1), and the supervision and examination provisions in proposed § 350.7.

The IIA is the global professional association for internal auditors, representing more than 265,000 members worldwide, including over 75,000 members in North America. The IIA defines internal auditing as "an independent, objective assurance and advisory service designed to add value and improve an organization's operations" that "helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes."²

The IIA appreciates that the FDIC has, in many respects, aligned proposed § 350.6 with the Office of the Comptroller of the Currency's (OCC) parallel rulemaking and adapted it from the FDIC's own safety-and-soundness standards in Appendix A to 12 C.F.R. part 364. The IIA supports that approach.

The internal audit elements in proposed § 350.6(a)(2)(i) through (vi) closely track those the OCC proposed, with two consequential exceptions: the FDIC's rule omits the OCC's seventh

¹ GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions, 91 Fed. Reg. 18534 (proposed Apr. 10, 2026) (to be codified at 12 C.F.R. pts. 324, 330, 350) (RIN 3064-AG19) [hereinafter FDIC NPRM]. Id. at 18534.

² Inst. of Internal Auditors, Global Internal Audit Standards 12 (2024) (glossary definition of "internal auditing"), <https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/>. The Global Internal Audit Standards are a mandatory component of The IIA's International Professional Practices Framework® (IPPF®). The Standards' Domain I Purpose Statement similarly provides that internal auditing "strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight." Id. at 15.

element—board or audit committee review of the effectiveness of the internal audit system—and states its independent-testing element (iv) in a shorter form that drops the OCC’s express references to verifying published customer information, required-reserve calculations, and regulatory filings. The recommendations below are offered in the same constructive spirit as The IIA’s OCC comment [letter](#), and several are calibrated to the FDIC’s distinct framework—in which every permitted payment stablecoin issuers (PPSI) is a subsidiary of an FDIC-supervised insured depository institutions (IDI) already subject to established internal audit expectations. The recommendations are intended to strengthen clarity, supervisory consistency, and implementation effectiveness without disturbing the principles-based, tailored design the GENIUS Act requires.³

1. Recognize Conformance with Recognized Professional Standards as Satisfying the Internal Audit Requirement

Proposed § 350.6(a)(2) describes the required elements of an internal audit system but does not reference any recognized professional framework. The IIA urges the FDIC to *recognize* conformance with an established internal audit framework—such as International Professional Practices Framework® (IPPF®)—as one means of demonstrating that a PPSI’s internal audit system satisfies the independence, competence, quality, and reporting expectations of the rule.

Suggested approach: *The FDIC should recognize that an internal audit system conducted in accordance with International Professional Practices Framework®, or another recognized professional framework appropriate to the size, complexity, and risk profile of the issuer, will ordinarily be deemed to satisfy the requirements of § 350.6(a)(2).*

2. Clarify Expectations for “Qualified Persons” Performing Internal Audit Functions

Proposed § 350.6(a)(2)(iii) requires that “qualified persons” be responsible for the internal audit function. Without elaboration, that term may be applied inconsistently across issuers with differing operating and staffing models. Given the risk profile of payment stablecoin issuance—spanning reserve management, distributed-ledger technology, cybersecurity, financial-crime, and compliance risk—the FDIC should clarify that “qualified persons” are those with appropriate education and relevant experience, and that recognized internal audit credentials, such as the Certified Internal Auditor® designation, are evidence of competency. The IIA recommends describing such credentials as probative rather than mandatory, consistent with the rule’s tailored design.

Suggested clarification: *Qualified persons should possess appropriate education and relevant experience commensurate with the issuer’s risk profile. Professional certifications demonstrating competency in internal auditing, such as the Certified*

³ FDIC NPRM, *supra* note 1, at 18545 (stating that the standards in proposed § 350.6(a) are adapted from 12 C.F.R. pt. 364, app. A, which implements 12 U.S.C. § 1831p-1, and that the FDIC sought to align the proposal with the OCC’s parallel rule). The OCC’s parallel rulemaking is Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency, 91 Fed. Reg. 10202 (proposed Mar. 2, 2026) (to be codified at 12 C.F.R. pts. 3, 6, 8, 15, 19) (RIN 1557-AF41) [hereinafter OCC NPRM].

Internal Auditor® credential, or other certifications relevant to the issuer's activities, are evidence that this requirement is met.

3. Clarify Structural Independence Expectations

Proposed § 350.6(a)(2)(ii) requires independence and objectivity but does not specify the functional reporting relationship through which independence is operationalized. The preamble states that the rule “would not mandate a specific organizational structure.” The IIA does recommend, however, that the FDIC make explicit that independence is achieved when the internal audit function reports and has direct and unrestricted access to, the board of directors or its audit committee. Absent that clarity, an issuer could satisfy the literal text while positioning internal audit in a way that compromises its independence.

Suggested clarification: *The internal audit function should report functionally to, and have direct and unrestricted access to, the board of directors or audit committee, and should remain free from management influence in determining audit scope, execution, and reporting. Internal audit staff may report to senior management for administrative purposes.*

4. Address Governance as a Distinct Area of Internal Audit Coverage

Proposed § 350.6(a) addresses internal controls and risk management in detail but does not identify governance processes as a distinct area of coverage. The IIA's definition of internal auditing extends expressly to evaluating the effectiveness of governance, risk management, and control processes—not risk management and controls alone. In the stablecoin context, accountability for reserve management, redemption operations, and technology oversight must be clearly assigned at the governance level and independently verified. Without explicit governance coverage, well-designed control frameworks may be insufficiently owned or operationalized in practice.

Suggested clarification: *Internal audit scope should encompass governance processes, including the assignment of clear accountabilities for key risk management and operational functions, the effectiveness of board and audit committee oversight, and the alignment of organizational structure with the issuer's risk management framework.*

5. Require That Procedures Be Developed, Implemented, and Adhered To

Proposed § 350.6(a)(1)(iv) requires adequate procedures to monitor, safeguard, manage, and control assets, including reserve assets. The existence of written procedures does not ensure their effectiveness. Organizations routinely maintain technically adequate documentation while operational practice diverges from it because of inadequate training, resource constraints, or other factors. A standard focused on the existence of procedures, without addressing implementation and adherence, risks a compliance posture that satisfies formal requirements while failing the underlying risk objectives. Internal audit should test not

only whether adequate procedures exist, but whether they are effectively implemented and consistently followed.⁴

Suggested clarification: *Internal audit functions should include risk-based procedures to provide assurance that required policies and procedures are appropriately developed, effectively implemented, and consistently adhered to in operational practice, and that deviations are identified, documented, and reported to management, the board of directors, and the audit committee for timely remediation.*

6. Ground Internal Audit Monitoring in a Risk-Based Approach

Proposed § 350.6(a)(2)(i) requires “adequate monitoring of the system of internal controls.” Since the preamble already recognizes that internal audit scopes should be “informed by an assessment of the risk and control environment [...],” The IIA encourages the FDIC to carry that principle into the standard itself. Monitoring existing controls, while necessary, is insufficient to identify all material exposures: where an organization has not designed a control for a particular risk, or where a new risk has emerged outside the scope of existing controls, a review focused solely on the control system will not surface the gap. Sound practice begins with a risk assessment and then evaluates the controls designed to mitigate those risks.

Suggested clarification: *An internal audit function’s monitoring of the system of internal controls should be conducted using a risk-based approach that begins with an assessment of the risks facing the issuer, including risks not currently mitigated by existing controls, and evaluates the design and operating effectiveness of internal controls in light of those identified risks.*

7. Require Ownership and Timelines in Management Action Plans

Proposed § 350.6(a)(2)(v) and (vi) address documentation of findings and verification of management actions to address deficiencies, but do not require that corrective action plans identify responsible owners or include defined remediation timelines. Both omissions undermine effective remediation. Without a named owner, corrective actions are unlikely to be executed regardless of internal audit follow-up; without a defined timeline, risks may persist for prolonged periods or issues may be closed prematurely. Internal audit’s verification role should expressly include challenging the appropriateness of ownership assignments and the reasonableness of timelines relative to the severity of the deficiency.

Suggested clarification: *Documentation of management’s corrective actions should identify a specific responsible owner accountable for implementation and include a defined remediation timeline commensurate with the severity of the identified deficiency. An internal audit function’s verification of management actions should include effective challenge, where warranted, of the appropriateness of ownership assignments and the reasonableness of proposed timelines.*

⁴ Compare OCC NPRM, supra note 3, at 10221 (proposed 12 C.F.R. § 15.13(a)(1)(iv)) (“safeguard, manage, control, and monetize assets”), with FDIC NPRM, supra note 1, at 18546 (proposed 12 C.F.R. § 350.6(a)(1)(iv)) (“monitor, safeguard, manage, and control assets”). The FDIC addresses monetization capability separately at proposed § 350.4(d).

8. Clarify Internal Audit's Purview over All Material Risk Areas

Proposed § 350.6 addresses interest rate risk, liquidity, information technology, and cybersecurity in subsections distinct from the internal audit provision in § 350.6(a)(2). That structural separation may inadvertently suggest those areas fall outside the internal audit function's scope, when they are precisely the high-priority risks a sound, risk-based internal audit program should cover. The FDIC should clarify that internal audit functions have purview over all material risk areas, including those addressed elsewhere in the rule. Coverage should address, among other areas, reserve management and compliance with the reserve asset requirements of § 350.4; interest rate and liquidity risk; redemption readiness, including under stressed conditions; information technology, cybersecurity, and the safe handling of digital assets and private keys under § 350.6(b); smart-contract governance and operational dependencies, where applicable; third-party service provider oversight; and compliance with disclosure obligations to customers and the FDIC.

Suggested clarification: *The internal audit function's scope should reflect the full risk profile of the issuer's stablecoin activities and is not limited to the elements enumerated in § 350.6(a)(2). The internal audit function retains purview over all material governance, risk management, and control processes, including reserve management, interest rate and liquidity risk, information technology and cybersecurity, the safe handling of digital assets, and third-party dependencies.*

9. Restore the Two Internal-Audit Elements the FDIC Omitted from the OCC's Parallel Rule

The FDIC states that it endeavored to align proposed § 350.6 with the OCC's parallel rule, and in most respects the internal audit elements match. Two do not, and The IIA recommends that the FDIC conform its rule to the OCC's on both points.

First, the OCC's § 15.13(a)(2) includes a seventh element requiring review by the issuer's audit committee or board of directors of the effectiveness of the internal audit system; the FDIC's § 350.6(a)(2) contains no such element and ends at element (vi). Governing-body review of internal audit effectiveness is foundational to the independence and accountability the rule otherwise requires, and its omission leaves a gap that the OCC saw fit to close.

Second, the OCC's independent-testing element (iv) expressly extends testing to verification of published information available to customers, calculations for required reserves, and regulatory filings, while the FDIC's element (iv) is limited to "adequate independent testing and review of internal controls and information systems." Because the FDIC's own § 350.4 requires monthly public reserve composition reports, certifications, and registered-public-accounting-firm examination, internal audit verification of exactly those published figures and filings is directly on point.

Conforming to the OCC's text on both elements would promote the interagency consistency the FDIC says it seeks and close two substantive gaps without adding any requirement the OCC has not already proposed for similarly situated issuers.⁵

⁵ Compare OCC NPRM, *supra* note 3, at 10222 (proposed 12 C.F.R. § 15.13(a)(2)(i)-(vii), enumerating seven internal audit elements, including element (vii), "review by the institution's audit committee or board of directors of the effectiveness of the internal audit

Suggested clarification: *Proposed § 350.6(a)(2) should be revised to conform to the OCC’s § 15.13(a)(2) by (i) expanding the independent-testing element to include verification of published information available to customers, calculations for required reserves, and regulatory filings; and (ii) adding an element requiring review by the audit committee or board of directors of the effectiveness of the internal audit system.*

10. Require an Internal Audit Function for All Issuers, with Flexibility in How It Is Delivered

Proposed § 350.6(a)(2)(i) permits an issuer whose size, complexity, or scope of operations does not warrant a full-scale internal audit function to substitute “a system of independent reviews of key internal controls.” The IIA recognizes that this language tracks the tailoring contemplated by GENIUS Act § 4(a)(4) and is a deliberate, statutorily grounded choice rather than an oversight. We, nonetheless, encourage the FDIC to require that every PPSI maintain a defined internal audit function, while preserving full flexibility in how that function is resourced.

In the FDIC’s framework this is a modest step: because each PPSI is a subsidiary of an FDIC-supervised IDI that already operates under internal audit expectations, the parent’s internal audit function can supply an audit backbone for the subsidiary through co-sourcing or shared resources. The relevant variable should be how the function is resourced and structured—not whether it exists. Framing the requirement this way preserves proportionality for smaller issuers while ensuring that independent assurance is never wholly absent.⁶

Suggested clarification: *Each permitted payment stablecoin issuer should maintain an internal audit function. Flexibility in how that function is resourced and structured—including through reliance on the internal audit function of the parent insured depository institution, outsourcing, co-sourcing, or a combination of approaches—is appropriate and should be permitted commensurate with the issuer’s size, complexity, and risk profile.*

11. Recognize Internal Audit Work Product to Reduce Examination Duplication

Proposed § 350.7 addresses the FDIC’s examination, reporting, and supervision authority. GENIUS Act § 6(a)(4) directs the FDIC, to the fullest extent possible, to use existing reports and other supervisory information, to avoid duplication, and to request examinations at a cadence and in a format similar to that required for similarly situated entities. The FDIC should make explicit that internal audit work product is a category of existing supervisory information on which examiners may rely where the work is relevant, current, and performed in accordance with recognized professional standards. That approach would reduce compliance burden, improve supervisory efficiency, and create positive incentives for investment in high-quality internal audit programs. It would also reinforce the duplication-reduction objective the

system,” and an element (iv) extending independent testing to “verification of published information available to customers, calculations for required reserves, and regulatory filings”), with FDIC NPRM, *supra* note 1, at 18546 (proposed 12 C.F.R. § 350.6(a)(2)(i)-(vi), enumerating six elements and omitting any board or audit committee review element).

⁶ GENIUS Act § 4(a)(4), 12 U.S.C. § 5903(a)(4); see FDIC NPRM, *supra* note 1, at 18546 (proposed 12 C.F.R. § 350.6(a)(2)(i)) (permitting, for an issuer whose size, complexity, or scope of operations does not warrant a full-scale internal audit function, a system of independent reviews of key internal controls).

FDIC itself raises in Question 91 regarding the relationship between reporting and examination frequency.⁷

Suggested clarification: *In carrying out its examination activities under § 350.7, the FDIC should, to the extent practicable, consider and place appropriate reliance on work performed by the internal audit function of a permitted payment stablecoin issuer where such work is relevant, timely, and conducted in accordance with recognized professional standards, consistent with GENIUS Act § 6(a)(4)'s directive to use existing supervisory information and avoid duplicative examination activities.*

12. Responses to Specific FDIC Questions

Question 79 — Streamlining the Risk Management Standards

The FDIC asks whether it should replace proposed § 350.6(a) with a single high-level requirement that an issuer maintain a prudent risk management framework, and whether that high-level standard should nonetheless “include ... an internal audit system.” If the FDIC adopts a more streamlined formulation, the internal audit system should remain an enumerated component, not be folded silently into a general “framework” reference.

Independent assurance over the control environment is foundational, and its explicit retention is what allows the agency to rely on internal audit work product under Recommendation 11. The IIA supports preserving, at a minimum, express references to risk assessment, internal controls, a defined organizational structure with clear lines of authority and responsibility, and an internal audit system—even within a higher-level standard.⁸

Question 80 — Appropriateness of the Risk Management Standards

The IIA views the internal control and internal audit standards in proposed § 350.6(a)(1) and (a)(2) as broadly appropriate and would not remove any of the six enumerated internal audit elements. The IIA does, however, recommend two additions, both drawn directly from the OCC's parallel rule and detailed in Recommendation 9: expanding the independent-testing element to cover verification of published customer information, required-reserve calculations, and regulatory filings, and adding board or audit committee review of the effectiveness of the internal audit system.

Beyond those, the principal gaps are the absence of an explicit governance-coverage element (Recommendation 4), the absence of ownership and timeline requirements in management action plans (Recommendation 7), and the lack of an explicit risk-based framing for control monitoring (Recommendation 6).

Question 82 — Board and Senior Management Competence

The IIA supports providing that the risk management standards address clear management roles, responsibilities, and accountability, and supports an expectation that the board and senior management maintain competence and experience relevant to the issuer's activities. A competent, engaged board and audit committee are preconditions for a properly positioned

⁷ GENIUS Act § 6(a)(4), 12 U.S.C. § 5905(a)(4); FDIC NPRM, *supra* note 1, at 18547 (proposed 12 C.F.R. § 350.7). The OCC implements the parallel directive at OCC NPRM, *supra* note 3, at 10227 (proposed 12 C.F.R. § 15.14(n)-(o)).

⁸ FDIC NPRM, *supra* note 1, at 18551 (Question 79). The IIA's responses also address Question 80 (*id.*) and Question 82 (*id.*).

internal audit function; the independence and reporting expectations described in Recommendation 3 presuppose a governing body able to receive, challenge, and act on internal audit's reporting.

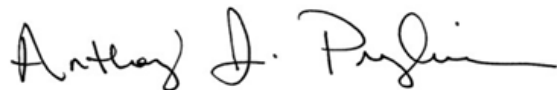
Conclusion

The internal audit and risk management requirements in proposed § 350.6 provide a sound, principles-based framework appropriate to the governance expectations of regulated financial activities, and The IIA commends the FDIC's effort to align with the OCC's rule and with its own part 364 standards. The eleven recommendations and three question responses above address opportunities for improvement in professional standards recognition, qualifications, independence structure, governance coverage, procedural adherence, risk-based methodology, action-plan accountability, risk-area scope, alignment with the OCC's internal-audit elements, the universal availability of an internal audit function, and examination coordination. Taken together, they would strengthen the framework's clarity and supervisory consistency while supporting the GENIUS Act's objectives of transparency, operational resilience, and secure stablecoin activities.

Should you or your staff have any questions regarding these recommendations, or wish to discuss this matter further, please have your staff contact Ramón A. Correa, IIA Director for U.S. Advocacy, at Ramon.Correa@TheIIA.org.

The IIA appreciates the opportunity to comment and stands ready to provide additional technical assistance as the FDIC finalizes this rulemaking.

Sincerely,

A handwritten signature in black ink, reading "Anthony J. Pugliese". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Anthony Pugliese, CIA, CPA, CGMA, CITP
President and Chief Executive Officer
The Institute of Internal Auditors