

May 1, 2026

Mr. Adam Cohen
Chief Counsel
Office of the Comptroller of the Currency
400 7th Street SW, Suite 1E-216
Washington, DC 20219

RE: *Implementing the GENIUS Act for the Issuance of Stablecoins by Entities Subject to OCC Jurisdiction; Docket ID OCC-2025-0372; RIN 1557-AF41*

Dear Mr. Cohen:

The Institute of Internal Auditors (The IIA) respectfully submits this public comment in response to the Office of the Comptroller of the Currency's (OCC) Notice of Proposed Rulemaking (NPRM) implementing provisions of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) (Federal Register, Vol. 91, No. 40, March 2, 2026). In particular, The IIA wishes to address the proposed 12 CFR § 15.13(a)(2), which establishes internal audit system requirements for permitted payment stablecoin issuers, and related provisions in proposed §§ 15.13(a)(1) and 15.14.

The IIA is the global professional association for internal auditors, representing more than 265,000 members in approximately 170 countries and territories. 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."

The IIA commends the OCC's proposed rule in establishing internal audit system requirements. In the spirit of collaboration, The IIA offers the following recommendations to strengthen clarity, supervisory consistency, and implementation effectiveness of the proposed internal audit requirements.

1. Align Internal Audit Expectations with Recognized Professional Standards

Proposed § 15.13(a)(2) describes required elements of an internal audit system but does not explicitly reference a recognized professional framework. Incorporating such a reference would support consistent implementation across issuers and improve the comparability of audit outcomes.

The International Professional Practices Framework® (IPPF®) provides mandatory standards governing the structure, independence, competence, quality assurance, and reporting of internal audit functions. The OCC should therefore, specifically reference conformance with the IPPF to establish a clear and enforceable professional baseline.

Suggested Clarification: *Internal audit activities should be conducted in accordance with the Institute of Internal Auditors' International Professional Practices Framework® or another recognized professional framework appropriate to the size, complexity, and risk profile of the issuer.*

2. Clarify Expectations for "Qualified Persons" Performing Internal Audit Functions

Proposed § 15.13(a)(2)(iii) requires that “qualified persons” are responsible for the internal audit function. Without further definition, this term may be interpreted inconsistently across issuers with varying operating models and staffing approaches.

Given the nature of payment stablecoin issuance — encompassing reserve management, digital asset technology, cybersecurity, regulatory compliance, and financial crime risk — individuals responsible for internal audit should possess the Certified Internal Auditor[®] credential or other relevant certifications.

Suggested Clarification: *Qualified persons should possess appropriate education, relevant experience, and the Certified Internal Auditor credential or other appropriate professional certifications which demonstrate competency in internal auditing and/or other relevant areas of expertise.*

3. Clarify Structural Independence Expectations

Proposed § 15.13(a)(2)(ii) requires independence and objectivity as core attributes of the internal audit function. The proposed rule does not, however, specify the functional reporting relationship through which independence is operationalized. In practice, independence is achieved when the internal audit function has a direct reporting relationship to the board of directors and/or audit committee and maintains unrestricted access to those governing body officials.

Because independence from management is foundational to a properly positioned internal audit function, the absence of clear guidance may allow issuers to structure internal audit in ways that technically satisfy the rule but are not consistent with the IPPF.

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

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

Proposed § 15.13 addresses risk management and internal controls in detail but does not explicitly identify governance processes as a separate area of internal audit coverage. The IIA’s definition of internal auditing expressly extends to evaluating the effectiveness of governance, risk management, and control processes — not risk management and controls alone.

In the stablecoin context, governance accountability is particularly critical. Ownership of key processes like reserve management, redemption operations, and/or technology oversight must be clearly assigned at the governance level and independently verified. Without explicit governance coverage, risk management frameworks and controls may be well-designed on paper but 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 § 15.13(a)(1)(iv) requires adequate procedures to monitor, safeguard, manage, control, and monetize assets, including reserve assets. The existence of written procedures does not ensure their effectiveness. Organizations routinely maintain technically adequate documentation while

operational practice diverges materially from documented requirements due to inadequate training, resource constraints, or other factors. A standard focused solely on the existence of procedures, without addressing implementation and adherence, risks creating a compliance posture that satisfies formal requirements while failing underlying risk management objectives.

Internal audit functions should be required to test not only whether procedures exist but whether they are effectively implemented and consistently followed. This three-part standard — development, implementation, and adherence—reflects the practical requirements of meaningful procedural oversight.

Suggested Clarification: *Internal audit functions should include risk-based procedures and processes 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 remediation on a timely basis.*

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

Proposed § 15.13(a)(2)(i) requires “adequate monitoring of the system of internal controls.” Monitoring existing controls, while necessary, is insufficient to identify all material risk exposures. Where an organization has failed to design controls to address 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 identify the gap.

Sound internal audit practice requires that audit activities begin with a comprehensive assessment of risks and then an evaluation of the controls designed to mitigate those risks. The OCC should clarify that internal audit monitoring must be grounded in this risk-first sequence, ensuring that audit resources are directed toward areas of greatest exposure, including risks not yet addressed by existing controls.

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 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 §§ 15.13(a)(2)(v) and (vi) address documentation of audit findings and verification of management actions to address deficiencies, but do not require that management’s corrective action plans identify responsible owners or include defined remediation timelines. Both omissions are likely to harm 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 remain unaddressed for prolonged periods or issues may be closed prematurely. An internal audit function’s verification role should expressly include a challenge of the appropriateness of ownership assignments and the reasonableness of timelines relative to the severity of identified deficiencies.

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 challenges, where warranted, of the appropriateness of ownership assignments and the reasonableness of proposed remediation timelines.*

8. Clarify Internal Audit's Purview over All Material Risk Areas in § 15.13

The proposed rule addresses interest rate risk, liquidity risk, information technology, and cybersecurity in separate subsections of § 15.13, distinct from the internal audit provisions of § 15.13(a)(2). This structural separation may inadvertently suggest that these areas fall outside internal auditors' scope, when they are precisely the high-priority risk areas that a sound, risk-based internal audit program should be expected to cover.

The OCC should clarify that internal audit has purview over all material risk areas, including those addressed elsewhere in § 15.13. Audit coverage should address:

- Reserve management, asset valuation methodologies, and compliance with qualified reserve asset requirements
- Interest rate risk management programs and controls
- Liquidity and redemption processes, including readiness under stressed conditions
- Technology infrastructure supporting issuance and redemption operations
- Information technology and cybersecurity risk management programs
- Smart contract governance and operational dependencies, where applicable
- Third-party service provider oversight
- Compliance with disclosure obligations to customers and regulators

Suggested Clarification: *Internal audit function's scope of risk-based engagement should reflect the full risk profile of the issuer's stablecoin activities and is not limited to the areas explicitly enumerated in § 15.13(a)(2). The internal audit function retains purview over, but not limited to, all material governance, risk management, and control processes, including reserve management, interest rate and liquidity risk, information technology and cybersecurity, and third-party dependencies.*

9. Internal Audit Function Requirement

The proposed rule permits issuers whose size, complexity, or scope of operations does not warrant a full internal audit function to substitute a system of independent reviews of key internal controls. However, The IIA believes that all permitted payment stablecoin issuers should have an internal audit function. Depending on organizational size and complexity, the variable should be how that function is resourced and structured, commensurate with the issuer's size, complexity and risk profile. The question of how the function is delivered should not be conflated with whether it exists.

Suggested Clarification: *All permitted payment stablecoin issuers are required to establish an internal audit function. Flexibility in how that function is resourced, including through outsourcing, co-sourcing, or a combination of approaches—is appropriate and is permitted commensurate with the issuer's size, complexity, and risk profile.*

10. Recognize Internal Audit Work Product to Reduce Examination Duplication

Proposed § 15.14 addresses OCC examination authority and reporting requirements. The GENIUS Act requires the OCC, to the fullest extent possible, to use existing supervisory reports and avoid duplication of examination activities, reporting requirements, and requests for information.

The OCC should explicitly recognize internal audit work product as a category of existing supervisory information that examiners may rely upon where such work is relevant, current, and performed in accordance with recognized professional standards. This approach—well-established in the context of external auditor reliance on internal audit under the Public Company Accounting Oversight Board's

auditing standards—would reduce issuer compliance burden, improve supervisory efficiency, and create positive incentives for investment in high-quality internal audit programs.

Suggested Clarification: *In carrying out its examination activities, the OCC shall, 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 the GENIUS Act’s directive to use existing supervisory information and avoid duplicative examination activities.*

11. Responses to Specific OCC Questions

Question 109: Principles-Based vs. Detailed Requirements

The IIA supports the OCC’s principles-based approach as appropriate for a developing sector. However, principles-based requirements should be supplemented with supervisory guidance—such as examination procedures or frequently asked questions (FAQs)—providing implementation clarity for the novel risk areas specific to stablecoin activities.

Question 118: Chief Audit Executive Requirement

The IIA supports requiring all permitted payment stablecoin issuers to designate a qualified Chief Audit Executive (CAE) or equivalent role responsible for leading the internal audit function. For smaller issuers where the internal audit function is outsourced or co-sourced, a named CAE would be the accountable officer responsible for audit oversight.

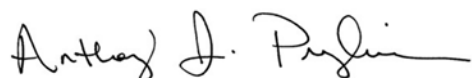
Conclusion

The proposed internal audit system requirements in § 15.13(a)(2) provide a sound principles-based framework appropriate to the governance expectations of regulated financial activities. The eleven recommendations above address opportunities for improvement in professional standards alignment, independence structure, governance coverage, procedural adherence, risk-based audit methodology, reserve verification, action plan accountability, risk area scope, 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 our recommendations or if you would like to discuss this matter in greater detail, 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 OCC finalizes this rulemaking.

Sincerely,



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