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GENIUS Act Bankruptcy Changes Give Holders Top Recovery Priority

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[Deborah Kovsky-Apap](#)

Deborah Kovsky-Apap, a partner with Troutman Pepper Locke, was quoted in the July 21, 2025 *Bloomberg Law* article, "[GENIUS Act Bankruptcy Changes Give Holders Top Recovery Priority](#)."

"If you tell holders 'sorry, if the issuer ends up becoming insolvent, you're just going to be an unsecured creditor in bankruptcy holding a worthless IOU,' you're not going to see widespread adoption of stablecoins," Deborah Kovsky-Apap of Troutman Pepper Locke LLP said in an email.

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Legal expenses can't be paid out of reserves because those funds aren't property of the company's estate, and the funds can't come out of non-reserve assets because there wouldn't be a corresponding benefit to the estate, said Kovsky-Apap.

"Since no one is going to provide these services for free, I don't see how it gets done under the current version of the bill, and many issuers would likely be administratively insolvent from day 1," Kovsky-Apap said in her email.

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