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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.

...

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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