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THE RISE OF STABLECOINS AND IMPLICATIONS FOR TREASURY MARKETS

SONJA DAVIDOVIC
TAREK GHANI
MARIANO MOSZORO

The rise of stablecoins and implications for Treasury markets

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Sonja Davidovic, Tarek Ghani, and Mariano Moszoro

Stablecoins are increasingly influencing international finance and U.S. fiscal stability. Their rapid adoption, driven by lower transaction costs, enhanced speed, transparency, and reduced entry barriers, notably in remittance corridors and regions experiencing high inflation or currency depreciation, has raised demand for short-term U.S. Treasury bonds. As stablecoin issuers become major holders of Treasuries, they are reshaping global demand and market dynamics. While stablecoins present fiscal advantages and efficiency gains, they could also introduce systemic risks, regulatory arbitrage concerns, and potential currency substitution threats, necessitating rigorous regulatory frameworks and international policy coordination.

Authors' email addresses: SDavidovic@imf.org, tghani@wustl.edu, MMoszoro@imf.org

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Contents

Introduction

Stablecoins are typically centrally issued crypto assets that aim to have a stable price through reserve assets; the most popular stablecoins are pegged to the U.S. dollar and backed by reserves of U.S. Treasuries and other assets. They have the potential to rapidly become critical elements of the global financial system. Stablecoins have experienced remarkable growth rates in recent years with the two largest coins, USD Tether (USDT) and USD Circle (USDC), leading the ranks. While the ten largest stablecoins are pegged to the U.S. dollar, so far over 80% of stablecoin transactions occur outside the United States (Lipsky, 2025). Stablecoins are increasingly being used for cross-border transactions, and this growth is contributing to rising demand for short-dated U.S. debt, with important implications for U.S. fiscal stability and global economic dynamics.

This working paper explores the potential growing usage of stablecoins for cross-border payments while focusing on the main drivers of stablecoin adoption. The note projects the future demand for U.S. Treasuries based on assumptions on the increase in cross-border transaction volumes and the decrease in relative usage of cash and Eurodollars in the U.S. dollar's international circulation.[1] With increased stablecoin adoption anticipated over the future, the demand by stablecoin issuers for U.S. Treasury bills is expected to rise correspondingly. While there might be substitution effects related to the reduced demand for U.S. Treasuries by financial institutions, this working paper solely assesses the potential magnitude of demand for U.S. Treasuries related to the use of stablecoins in cross-border payments. Other key aspects such as a detailed analysis of financial integrity are out of scope for this note.

While introducing potential benefits related to speed, cost and transparency, stablecoins could have adverse effects on competition, network scale and market structure, as well as a potential loss of seigniorage and currency substitution in emerging markets and developing economies. Despite the existence of international standards such as the Financial Action Task Force (FATF) standards on virtual assets, there are still inconsistent global regulatory approaches to stablecoins. Thus, stablecoin issuers might benefit from regulatory arbitrage and evade regulatory requirements altogether. This note provides recommendations on how to manage any adverse impacts on the U.S. and global financial system.

Drivers of stablecoin adoption

In certain payment corridors, stablecoins offer transactional advantages over traditional cross-border financial channels such as wire transfers due to lower costs, greater settlement speed, enhanced transparency related to use of distributed ledger technology (DLT) and lower barriers to entry compared to formal financial institutions. As with other crypto assets, stablecoins only require pseudonymous digital identifiers, limiting the ability of states to monitor illicit or extralegal transactions and to apply relevant taxation rules (Alnassa et al., 2022). These factors have spurred a growth streak in stablecoin market capitalization topping $250 billion with USDT and USDC surpassing $165 billion and $65 billion respectively (Table 1).

[1] Eurodollars are U.S. dollar-denominated deposits held in banks outside the United States.

Table 1. Top ten stablecoins by market capitalization (in billions of U.S. dollars)

Stablecoin	Company	Country of incorporation	Market capitalization
USDT (Tether)	Tether Limited Inc.	El Salvador	167.0
USDC	Circle Internet Financial LLC	United States	67.6
USDe (Ethena USDe)	Ethena (BVI) Limited	British Virgin Islands	11.6
DAI	Maker DAO	Cayman Islands	5.4
USD1 (World Liberty Financial USD)	World Liberty Financial Inc. (WLFI)	United States	2.2
FDUSD (First Digital USD)	First Digital Trust Ltd.	Hong Kong SAR	1.4
PYUSD (PayPal USD)	Paxos Trust Company LLC	United States	1.4
RLUSD (Ripple USD)	Standard Custody & Trust Company, LLC	United States	0.7
TUSD (TrueUSD)	Techteryx Ltd.	Singapore	0.5
USDD (USDD)	TRON DAO Reserve	Singapore	0.5
Total			**258.2**

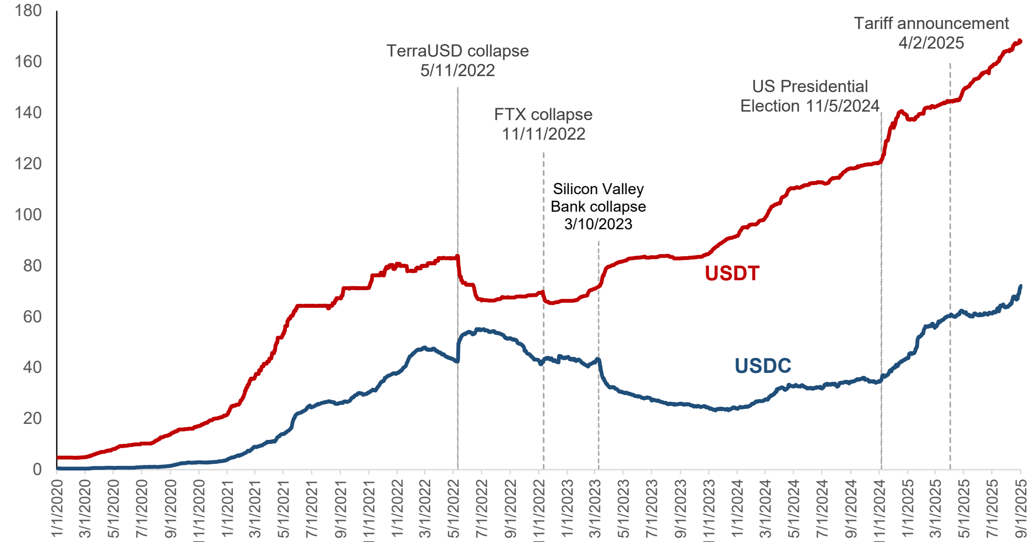
Source: Coinmarketcap. Market capitalization as of August 20, 2025.

Notes: DAI has no central issuer: New tokens are minted/burned permission-lessly via MakerDAO smart contracts. The original Maker Foundation (now dissolved) was set up in the Cayman Islands, but governance today rests with the DAO community. USDe is a "synthetic dollar" rather than a fiat-backed stable-coin; Ethena's BVI entity handles contractual terms for minting/redemption. USD1 is a dollar-backed token from World Liberty Financial, a U.S. corporation; its press releases and SEC filings list New York as the principal place of business. FDUSD is issued by First Digital Trust, a licensed Hong Kong trust company, under HK's Trust Ordinance. PYUSD is minted and redeemed exclusively by Paxos Trust Company, a New York-chartered limited-purpose trust. RLUSD is issued by Standard Custody & Trust Company, LLC, a wholly owned subsidiary of Ripple Labs. TUSD ownership transferred from TrueCoin (US) to Techteryx Ltd. in 2020; S&P Global filings identify Techteryx as Singapore-based. USDD is governed by the TRON DAO Reserve; Dominica granted it legal-tender status in 2023, making Dominica its primary legal home. Data were aggregated and visualized for publication for illustrative purposes. The findings and interpretations are those of the authors.

Despite shocks reverberating from market developments like the collapse of TerraLuna in May 2022 and Futures Exchange (FTX) in November 2022, USDT and USDC market volumes have been rising steadily over the last two years (Figure 1). Policy developments following the 2024 U.S. presidential elections—including the signing of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act into law—have contributed to accelerating stablecoin adoption.[2] Peer-to-peer and peer-to-business payment systems, notably in remittance corridors, continue to see stablecoin-based solutions gaining ground, reducing costs and inefficiencies historically associated with traditional remittance channels. This is especially pronounced in payment corridors with high remittance costs such as countries in sub-Saharan Africa, where stablecoins account for approximately 43% of the region's total transaction volume (Chainanalysis, 2024). The use of stablecoins appears more prevalent in countries whose currencies experience depreciation.

[2] The GENIUS Act (i.e., "Guiding and Establishing National Innovation for U.S. Stablecoins Act;" cf. https://www.congress.gov/bill/119th-congress/senate-bill/1582/text) defines a payment stablecoin as a digital asset issued for payment or settlement and redeemable at a predetermined fixed amount. It establishes that stablecoin issuers can be banks, credit unions or nonbank financial firms and that issuers are subject to Bank Secrecy Act and FinCEN AML and sanctions compliance rules. Issuers with over $50 billion in stablecoins outstanding must submit audited annual financial statements. Issuers must hold 100% reserves in cash, short-dated Treasury bills, repos, money market funds, central bank reserves, and other approved government-issued assets. Issuers cannot pay interest to stablecoin holders and are exempt from regulatory capital standards for banks.

Figure 1. USDT and USDC's market capitalization (in billions of U.S. dollars)



Source: Daily data from January 1, 2020, to May 11, 2022, comes from Chainanalysis and from May 12, 2022, to September 1, 2025, comes from DefiLlama. Notes: USDT is issued by Tether; USDC is issued by Circle. Data were aggregated and visualized for publication for illustrative purposes. The findings and interpretations are those of the authors.

Stablecoin use and Treasury bond demand

Significant stablecoin issuers like Tether (USDT) and Circle (USDC) predominantly back their tokens with short-term U.S. Treasury bonds, comprising more than 80% of their direct and indirect reserves (Table 2).[3] At end Q2-2025, Tether and Circle's total Treasury exposure (direct and indirect reserves) was $177.6 billion, or approximately 0.6% of the $29 trillion in outstanding U.S. Treasury securities.[4]

At end Q4-2024, Tether alone held $94.5 billion of the roughly 30% of U.S. Treasury securities that are held abroad, about 1% of total outstanding foreign Treasury debt—comparable to major international holders like Germany and the UAE and approaching the totals of the top 10 country-based holders of U.S. Treasuries (Table 3 and Figure 2; see, also, Ahmed and Aldasoro 2025). If this trajectory continues, stablecoin collateralization could soon represent a critical source of Treasuries demand, potentially financing a substantial share of U.S. government short-term debt.

[3] The table reports only reserves related to U.S. treasuries. Other reserves held by Tether and Circle are cash, bank deposits, non-U.S. Treasury bills, corporate bonds, precious metals, Bitcoin, secured loans, and other investments.

[4] Cf. U.S. Treasury Monthly Statement of the Public Debt (MSPD), https://fiscaldata.treasury.gov/datasets/monthly-statement-public-debt/summary-of-treasury-securities-outstanding (accessed September 2025).

Table 2. Tether and circle's US Treasury exposure (in billions of U.S. dollars)

	Tether holdings				Circle holdings			Direct Treasury exposure	Indirect Treasury exposure	Total Treasury exposure
	Treasury	Repo	MMF	Total	Treasury	Repo	Total			
Q2-2021	15.3	1.0		16.3				15.3	1.0	16.3
Q3-2021	19.4		1.0	20.4				19.4	0.0	19.4
Q4-2021	34.5		3.0	37.5				34.5	0.0	34.5
Q1-2022	39.2	0.1	6.8	46.1				39.2	0.1	39.3
Q2-2022	28.9	3.0	6.8	38.7				28.9	3.0	31.8
Q3-2022	39.7	3.0	7.1	49.8	38.3		38.3	77.9	3.0	81.0
Q4-2022	39.2	3.0	7.4	49.6	34.1		34.1	73.3	3.0	76.4
Q1-2023	53.0	8.3	7.5	68.8	38.5		38.5	91.6	8.3	99.9
Q2-2023	55.8	9.5	8.1	73.4	5.4	18.5	23.9	61.2	27.9	89.2
Q3-2023	56.6	8.9	8.2	73.7	9.0	13.9	22.9	65.6	22.7	88.4
Q4-2023	63.1	10.2	8.3	81.6	7.2	15.2	22.4	70.3	25.4	95.6
Q1-2024	74.0	12.2	6.3	92.5	11.4	15.9	27.3	85.5	28.1	113.5
Q2-2024	80.9	12.3	6.4	99.6	10.7	17.1	27.8	91.7	29.4	121.0
Q3-2024	84.5	14.1	6.4	105.1	8.1	22.6	30.6	92.6	36.7	129.3
Q4-2024	94.5	17.2	6.5	118.2	14.8	21.9	36.7	109.3	39.0	148.3
Q1-2025	98.5	16.7	6.3	121.5	22.2	31.0	53.3	120.7	47.7	168.5
Q2-2025	105.5	18.0	6.3	129.9	27.0	27.1	54.1	132.6	45.1	177.6

Source: Data retrieved from USDT and USDC's financial reports, available at https://tether.to/ru/transparency/?tab=reports and https://investor.circle.com/financials/sec-filings/default.aspx, respectively.

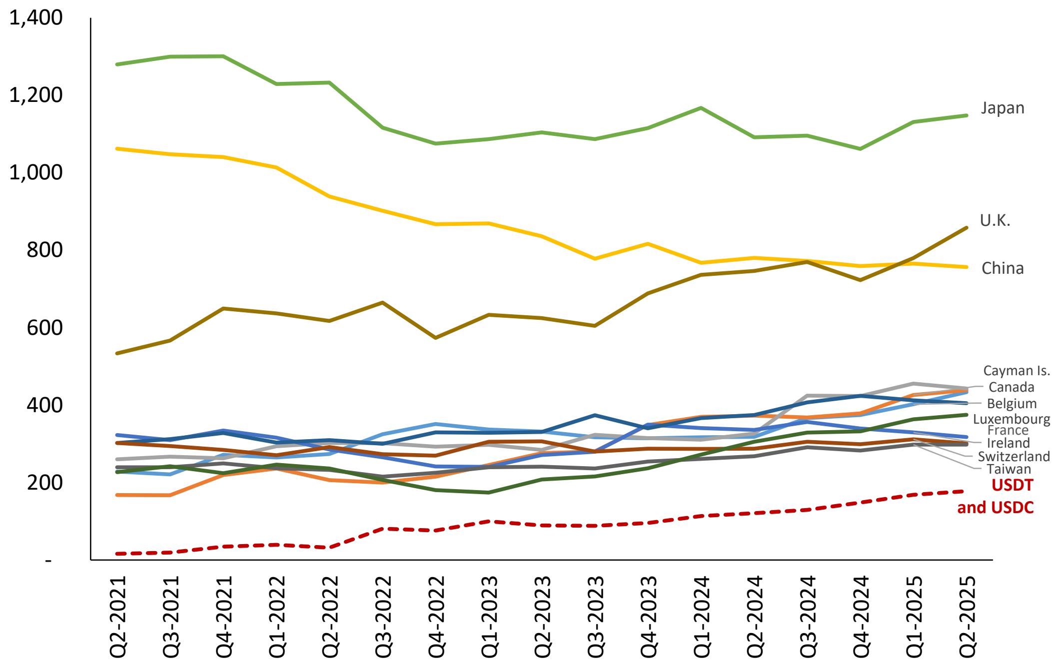
Notes: The table reports only reserves related to U.S. treasuries. A repurchase agreement (repo) is a short-term collateralized loan in which one party sells a security with a commitment to repurchase it at a specified price and date, effectively functioning as a secured form of borrowing. In the case of Tether and Circle, these are overnight reverse repurchase agreements where the stablecoin issuer lends cash and receives U.S. treasuries as collateral. A money market fund (MMF) is a type of investment fund that invests in short-term, high-quality, and liquid debt instruments, offering investors a stable value and daily liquidity while aiming to earn a modest return. Data were aggregated and visualized for publication for illustrative purposes. The findings and interpretations are those of the authors.

Table 3. Top foreign holdings of US Treasuries 2021-2025—Quarterly stocks (in billions of U.S. dollars)

	Belgium	Canada	Cayman Is.	China	France	Ireland	Japan	Luxembourg	Switzerland	Taiwan	U.K.	USDT and USDC
Q2-2021	228	168	260	1,062	227	323	1,280	302	302	239	534	16
Q3-2021	221	167	267	1,048	242	310	1,300	312	294	239	566	19
Q4-2021	272	220	263	1,040	224	334	1,301	328	284	249	649	35
Q1-2022	264	237	294	1,013	246	316	1,229	303	271	237	637	39
Q2-2022	273	206	302	939	236	285	1,233	309	291	232	617	32
Q3-2022	325	200	302	902	207	265	1,116	300	273	215	665	81
Q4-2022	351	215	293	867	180	242	1,075	329	270	225	574	76
Q1-2023	337	245	297	869	174	240	1,087	329	305	239	633	100
Q2-2023	332	276	284	836	208	271	1,104	331	306	241	624	89
Q3-2023	317	281	323	778	216	279	1,086	374	280	236	605	88
Q4-2023	314	348	315	816	237	350	1,115	340	287	254	689	96
Q1-2024	317	369	311	767	272	341	1,167	366	287	261	736	114
Q2-2024	318	373	326	780	305	336	1,091	374	287	268	747	121
Q3-2024	367	368	425	772	329	356	1,095	407	306	291	769	129
Q4-2024	375	379	423	759	332	339	1,062	424	299	282	723	148
Q1-2025	402	426	455	765	363	329	1,131	412	312	298	779	168
Q2-2025	433	439	443	756	375	317	1,148	405	301	298	858	178

Source: U.S. Treasury, https://en.macromicro.me/collections/51/us-treasury-bond/81306/top-10-countries-holding-us-debt, https://home.treasury.gov/data/treasury-international-capital-tic-system-home-page/tic-forms-instructions/securities-b-portfolio-holdings-of-us-and-foreign-securities, and https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table3.html. The series for USDT and USDC comes from their filings reported in Table 2; note that this final column may double-count holdings listed in other geographic-specific columns due to data classification procedures. Data were aggregated and visualized for publication for illustrative purposes. The findings and interpretations are those of the authors.

Figure 2. Top foreign holdings of Treasuries 2021-2025 (in billions of U.S. dollars)



Source: U.S. Treasury, https://en.macromicro.me/collections/51/us-treasury-bond/81306/top-10-countries-holding-us-debt, https://home.treasury.gov/data/treasury-international-capital-tic-system-home-page/tic-forms-instructions/securities-b-portfolio-holdings-of-us-and-foreign-securities, and https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table3.html. The series for USDT and USDC comes from their filings reported in Table 2. Data were aggregated and visualized for publication for illustrative purposes. The findings and interpretations are those of the authors.

In terms of flows and considering that USDT and USDC[5] account for about 90% of the U.S. dollar-backed stablecoins, from Q1-2024 to Q1-2025 stablecoins represented the third "buyer" of U.S. Treasuries behind Cayman Island and Belgium, almost ex aequo with Canada, and ahead of the United Kingdom (Table 4).[6] The case of USDT illustrates the macroeconomic scale achievable by stablecoins. Between end-December 2023 and end-December 2024, it accounted for approximately 4.6% of new foreign purchases of U.S. Treasury securities, signifying its rising influence amidst declining traditional sources, such as foreign institutional investors and central banks.[7]

[5] Technically, USDC does not count as "foreign holdings" of U.S. Treasuries as Circle is a U.S.-based corporation, though users of the USDC stablecoin are distributed around the world.

[6] Due to data limitations, there is a potential issue of double counting in the reported figures. For instance, if Tether holds U.S. Treasury securities through entities domiciled in the Cayman Islands, this could result in an underestimation of Tether's role as a purchaser of U.S. Treasuries relative to the Cayman Islands.

[7] Total foreign treasury holdings increased from $7.94 trillion in December 2023 to $8.62 trillion in December 2024, or about $680 billion in one year (Source: https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/mfhhis01.txt, accessed September 2025). As Table 2 shows, Tether's direct Treasury holdings increased from $63.1 billion in December 2023 to $94.5 billion in December 2024, representing a net increase of $31.4 billion in Treasuries over that period.

Table 4. Top foreign holdings of treasuries 2021-2025—Quarterly net flows (in billions of U.S. dollars)

	Belgium	Canada	Cayman Is.	China	France	Ireland	Japan	Luxembourg	Switzerland	Taiwan	U.K.	USDT and USDC
Q3-2021	(8)	(1)	7	(14)	15	(13)	20	10	(8)	0	33	3
Q4-2021	51	53	(4)	(7)	(18)	25	1	16	(10)	10	83	15
Q1-2022	(7)	17	31	(27)	22	(19)	(72)	(25)	(13)	(13)	(13)	5
Q2-2022	9	(30)	8	(74)	(10)	(30)	4	6	21	(5)	(19)	(7)
Q3-2022	52	(6)	(1)	(37)	(30)	(20)	(116)	(9)	(18)	(17)	48	49
Q4-2022	26	15	(9)	(35)	(26)	(24)	(41)	29	(4)	10	(91)	(5)
Q1-2023	(14)	30	5	2	(6)	(1)	12	(1)	36	14	59	23
Q2-2023	(5)	30	(13)	(34)	34	31	17	2	1	2	(9)	(11)
Q3-2023	(15)	5	39	(58)	8	8	(18)	43	(26)	(5)	(20)	(1)
Q4-2023	(3)	68	(9)	38	21	70	29	(34)	7	18	84	7
Q1-2024	3	21	(4)	(49)	35	(9)	52	26	(1)	7	48	18
Q2-2024	1	3	16	13	33	(5)	(76)	8	1	7	10	7
Q3-2024	49	(5)	98	(8)	24	20	4	33	18	23	23	8
Q4-2024	8	11	(1)	(13)	3	(17)	(34)	17	(7)	(9)	(46)	19
Q1-2025	27	47	32	6	31	(10)	69	(11)	13	15	57	20
Q2-2025	31	12	(13)	(9)	12	(12)	17	(8)	(11)	0	79	9

Source: U.S. Treasury, https://en.macromicro.me/collections/51/us-treasury-bond/81306/top-10-countries-holding-us-debt, https://home.treasury.gov/data/treasury-international-capital-tic-system-home-page/tic-forms-instructions/securities-b-portfolio-holdings-of-us-and-foreign-securities, and https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table3.html. The series for USDT & USDC comes from their filings reported in Table 2. Net flows are computed as the quarterly difference from the stocks reported in Table 3. Data were aggregated and visualized for publication for illustrative purposes. The findings and interpretations are those of the authors.

The demand for stablecoins is driven by the U.S. dollar circulation abroad and the stablecoin penetration rate. The U.S. dollar circulation abroad encompasses overseas physical cash holdings at about $1.5 trillion, cross-border payments (including remittances) between $1 and 1.5 trillion,[8] and Eurodollar deposits at $10-13 trillion.[9]

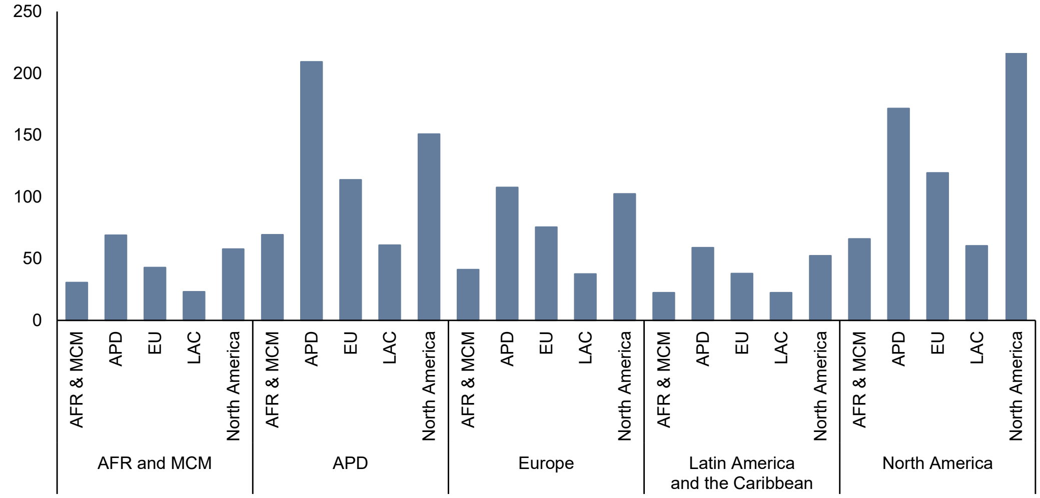
Figure 3 presents the intra- and inter-regional bilateral gross flows of stablecoins using a novel methodology (Reuter 2025) to assign the geography of self-custodial wallets at the regional level, enabling an estimation of international stablecoin flows for USDT and USDC within and across regions. While intra-regional flows represent the dominant shares in the two largest regional aggregates of North America and Asia Pacific, inter-regional flows are substantial across every region, underlining the global nature of stablecoin usage. Figure 4 shows the geographic distribution of per capita self-reported crypto asset usage (mostly Bitcoin and Ether) from a survey of internet-based respondents in 56 countries. In the lack of stablecoin-specific geo-data, general crypto asset usage hints, albeit with caveats, where the stablecoin demand may be located. The top quartile of countries includes Argentina, Brazil, Indonesia, Malaysia, Nigeria, the Philippines, Singapore, South Africa, Thailand, Türkiye, and United Arab Emirates—i.e., emerging market economies with relatively high monetary instability and education level.[10]

[8] Cf. Federal Reserve Bank of St. Louis, https://www.stlouisfed.org/timely-topics/how-much-u-s-currency-held-abroad-why and Judson (2024).

[9] Cf. $10 trillion (https://www.bloomberg.com/news/articles/2025-01-14/transcript-the-hidden-history-of-eurodollars-part-1-cold-war-origins) and $13 trillion (https://www.bloomberg.com/news/articles/2024-10-22/gensler-sees-potential-peril-in-13-trillion-eurodollar-market).

[10] Some of the caveats regarding stablecoin usage includes India, Vietnam, and Saudi Arabia. India is the largest market in the world by crypto adoption more broadly, but stablecoin use appears to be less prominent. Vietnam is shown as crypto heavy but the use of stablecoins is minimal. Saudi Arabia prohibits crypto activity and so the use of stablecoins for payments and remittances.

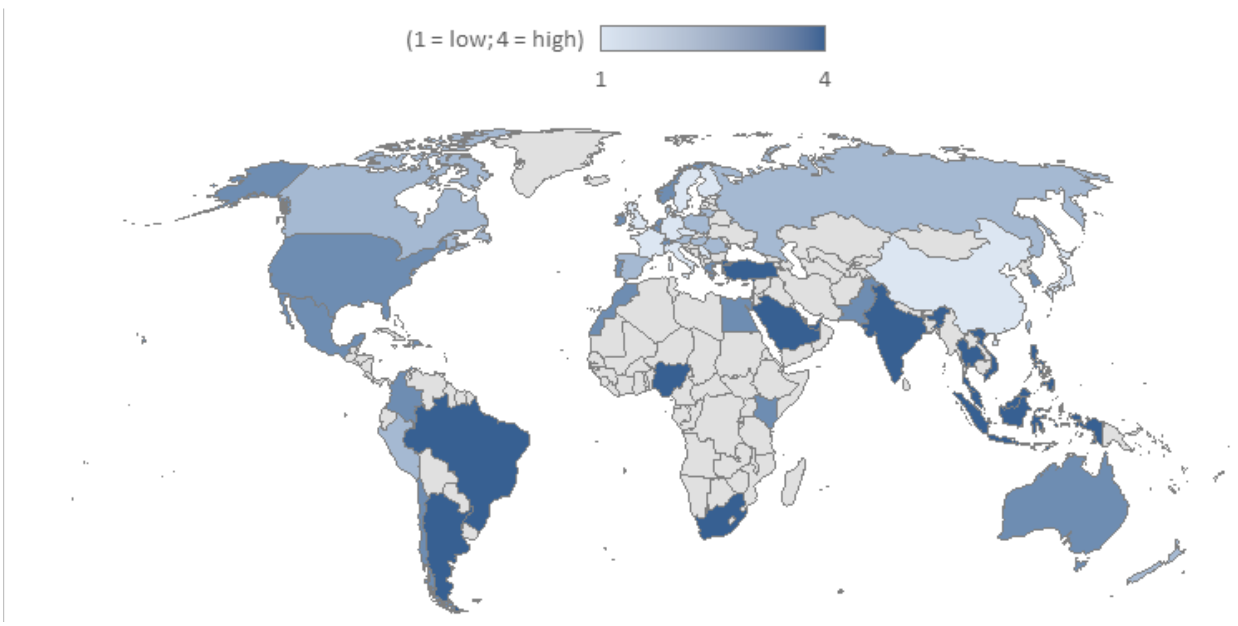
Figure 3. Bilateral stablecoins gross flows by region (in billions of U.S. dollars)



Source: Reuter (2025).

Notes: This table shows the inter- and intra-regional gross flow of stablecoins USDT and USDC based on the methodology in Reuter (2025). AFR and MCM: Africa and Middle East; APD: Asia Pacific; LAC: Latin America and the Caribbeans; and EU: Europe; North America: U.S., Canada, and Mexico. Data were aggregated and visualized for publication for illustrative purposes. The findings and interpretations are those of the authors.

Figure 4. Geographic distribution of crypto asset usage by country



Source: Statista and authors' calculations.

Notes: Statista's survey presents the share of respondents (internet-based sample, aged 18-64, with 2,000-12,000 respondents per country) who indicated they either owned or used crypto assets in 56 countries and territories worldwide from 2022 to 2024. These shares were averaged over the three-year period and then grouped into quartiles, which are plotted on the map. Data were aggregated and visualized for publication for illustrative purposes. The findings and interpretations are those of the authors.

In the long run, the annual growth rate of U.S. dollar circulation abroad should align with global demand for U.S. dollar, driven mainly by international economic growth, trade volumes, financial market expansion, and institutional trust in the dollar as a global reserve currency. In recent decades, the long-run growth rate of U.S. dollar circulation has typically ranged about 7% annually (Judson, 2024), reflecting stable increases in global GDP, trade integration, and sustained dollar dominance in financial and commercial transactions.

The stablecoin penetration rate is the share of U.S. dollar circulation abroad utilizing stablecoins. Currently, the stablecoin market capitalization is about $231 billion dollars (cf. Table 1), most of it backed by U.S. Treasuries. Assuming a stock of $12-15 trillion circulating abroad, the U.S. dollar stablecoin penetration rate is about 1.5-1.9%.

Table 5 presents the simulated demand of U.S. treasuries under different U.S. dollar circulation abroad annual growth rates until 2030 (y-axis) and stablecoin adoption rates (x-axis). While the former are akin to market expansion, the latter represent market penetration. Both U.S. dollar circulation abroad growth rates and stablecoin adoption rates are simulated given historical rates and trends. The analysis considers only the demand in foreign countries for U.S. dollar-denominated assets as a factor of stablecoin demand, abstracting away from other demand factors, e.g., for domestic crypto trade and payments.

Table 5. Projections of demand for Treasury bills by 2030 (in billions of U.S. dollars)

US$ circulation abroad annual growth rate in 2025-2030 \ Stablecoin penetration rate	1%	2%	4%	6%	8%	10%	12%	14%	16%	18%	20%
10%	241.6	483.2	966.3	1,449.5	1,932.6	2,415.8	2,898.9	3,382.1	3,865.2	4,348.4	4,831.5
9%	230.8	461.6	923.2	1,384.8	1,846.3	2,307.9	2,769.5	3,231.1	3,692.7	4,154.3	4,615.9
8%	220.4	440.8	881.6	1,322.4	1,763.2	2,204.0	2,644.8	3,085.6	3,526.4	3,967.2	4,408.0
7%	210.4	420.8	841.5	1,262.3	1,683.1	2,103.8	2,524.6	2,945.4	3,366.1	3,786.9	4,207.7
6%	200.7	401.5	802.9	1,204.4	1,605.9	2,007.3	2,408.8	2,810.3	3,211.7	3,613.2	4,014.7
5%	191.4	382.9	765.8	1,148.7	1,531.5	1,914.4	2,297.3	2,680.2	3,063.1	3,446.0	3,828.8
4%	182.5	365.0	730.0	1,095.0	1,460.0	1,825.0	2,190.0	2,555.0	2,920.0	3,285.0	3,650.0
3%	173.9	347.8	695.6	1,043.3	1,391.1	1,738.9	2,086.7	2,434.5	2,782.3	3,130.0	3,477.8
2%	165.6	331.2	662.4	993.7	1,324.9	1,656.1	1,987.3	2,318.6	2,649.8	2,981.0	3,312.2
1%	157.7	315.3	630.6	945.9	1,261.2	1,576.5	1,891.8	2,207.1	2,522.4	2,837.7	3,153.0
0%	150.0	300.0	600.0	900.0	1,200.0	1,500.0	1,800.0	2,100.0	2,400.0	2,700.0	3,000.0

Source: Authors' calculations.

Notes: The y-axis represents the annual growth rate of U.S. dollar circulation abroad. The *x*-axis represents the share of U.S. dollar circulation abroad utilizing stablecoins backed with U.S. Treasuries. Each cell contains the hypothetical stablecoin market capitalization backed by U.S. Treasuries assuming a scenario with an annual compound growth of "y" from 2025 until 2030 and a stablecoin market penetration rate (adoption) of "*x*." Data were aggregated and visualized for publication for illustrative purposes. The findings and interpretations are those of the authors.

Looking forward, a reasonable baseline estimate of the U.S. dollar circulation growth rate is around 4-7% per annum. This baseline factors in global nominal GDP growth (around 4-5% annually), persistent international trade and financial integration, ongoing demand for safe assets, especially in emerging economies, and gradual shifts in dollar dominance. The shift in U.S. dollar dominance is tempered by diversification into other reserve currencies but offset somewhat by continued reliance on the U.S. dollar in cross-border payments due to liquidity and trust.

Therefore, stablecoins could achieve at least $2 trillion in stablecoins by 2030 under reasonable growth and market penetration assumptions (e.g., growth rate of 6% and market penetration of 10%).[11] This estimate assumes no fundamental disruption to the global monetary order and the dollar's primary role in international finance.

Fiscal and financial stability implications

The increasing macro-criticality of stablecoins implies both opportunities and risks for fiscal policy and global finance. Stablecoins affect the fiscal balance and treasury financing in three ways. First, stablecoins diversify the investor base for Treasury securities. In theory, diversification can enhance U.S. fiscal resilience by mitigating risks associated with reduced demand from traditional foreign holders including strategic competitors like China. In this scenario, stablecoins could effectively democratize U.S. debt holdings—i.e., increase indirect retail exposure to U.S. debt via centralized intermediaries—shifting the financial model from concentrated institutional ownership toward decentralized, "crowdfunded" debt financing—albeit via a handful of large stablecoin issuers.

Conversely, heavy reliance on stablecoins for U.S. Treasury financing also poses potential risks, notably exposing U.S. public debt markets to increased vulnerability to market sentiment and financial stability concerns related to crypto assets. The GENIUS Act requires stablecoin issuers to limit holdings of Treasury securities to maturities of 93 days or less, leading to an overall shift to the front end of the yield curve.[12] This shift might be offset through substitution effects as stablecoin issuers substitute the demand for Treasuries from financial institutions. Ahmed and Aldasoro (2025) document sizeable economic impacts of dollar-backed stablecoin flows on short-term U.S. Treasury yields between 2021 and 2025. Notably, they find that outflows exert two to three times the upward pressure on yields compared to the downward effect of inflows, reflecting the greater flexibility issuers have in timing purchases during inflows relative to the more constrained conditions surrounding outflows.

Events analogous to the TerraUSD collapse of 2022, which wiped out approximately $50 billion in valuation in three days, highlight potential systemic risks inherent in stablecoin architectures lacking robust regulatory oversight (Liu et al., 2023).[13] Ma et al. (2025) argue that concentrated arbitrage—such as Tether permitting, on average, only six agents per month to redeem stablecoins for cash—increases run risk by dampening price signals. TBAC (2025) further shows that a de-peg of more than 3%

[11] Cf. "Treasury Secretary Scott Bessent sees stablecoins creating $2T in demand for government debt. Stablecoin growth could drive $2 trillion in demand for U.S. treasuries, cementing them as a linchpin of the digital asset industry," https://cryptoslate.com/treasury-secretary-scott-bessent-sees-stablecoins-creating-2t-in-demand-for-government-debt/.

[12] The CFA Institute Systemic Risk Council provides a detailed analysis of GENIUS Act provisions, available online here: https://www.systemicriskcouncil.org/wp-content/uploads/2025/03/SRC-Comments-Stablecoin-Legislation-Mar-2025.pdf

[13] In the TerraUSD case, blockchain technology allowed investors to monitor each other's action, amplifying the speed of the run once concerns emerged about the sustainability of the UST algorithmic stablecoin's collateralization via the LUNA crypto asset.

in a day can erode confidence, prompt withdrawals, and cascade into liquidity shortages, forced liquidations, and broader financial contagion.

A second impact of stablecoins on the fiscal balance and treasury financing comes from increased demand for short-term Treasury bills, which—ceteris paribus—lowers the bond portfolio duration and shifts the yield curve to the left.[14] As a consequence, the average interest rate and the annual interest bill will decrease. As of end September 2025, the U.S. federal government total debt stands at ca. $37.5 trillion.[15] Lowering the average interest rate by 10 basis points (i.e., 0.1 percentage points) would reduce the annual interest bill by $37 billion. However, should the aggregate demand for stablecoins drop sharply, the estimates by Ahmed and Aldasoro (2025) suggest this could translate into rapid increase in U.S. borrowing costs that would be two to three times higher than the corresponding decrease due to stablecoin demand.

Third, lowering the cost of cross-border transactions through stablecoins will increase remittances (Cerutti et al., 2023; Von Luckner, 2023). For many emerging and developing economies, remittances constitute a large share of GDP, supporting internal demand and, indirectly, employment and tax revenues. For example, Tonga consistently ranks highest, with remittances reaching as much as 47% of GDP in recent years,[16] Tajikistan's remittances have ranged from 39-49% of GDP,[17] heavily influenced by remittances from labor migrants in Russia, and El Salvador, Honduras, and Jamaica each rely on remittances for over 20% of GDP (Cerutti et al., 2025). Stablecoins have found growing applications in cross-border transactions, particularly in contexts where conventional financial channels are costly or inaccessible.[18] Humanitarian organizations increasingly employ stablecoins to facilitate aid payments, thereby reducing transaction fees and bypassing regulatory frictions (Callen et al., 2025). In some African countries, firms rely on stablecoins to settle international payments especially remittances, reflecting their utility as a medium of exchange in underbanked regions (De Gregorio et al., 2025). In high-inflation environments such as Lebanon and Argentina, stablecoins are also used as a store of value and means of transaction by individuals seeking to preserve purchasing power. Anecdotal evidence suggests a gradual acceptance of stablecoins by merchants in these economies; for instance, the Unicorn Coffee House in Beirut reportedly accepts USDT (Tether) as a form of payment (Ma et al., 2025).

With their growing use, stablecoin issuers are set to become systemically important market players and could replace bank deposits potentially disintermediating the banking sector and introduce concentration risks. In addition to being excluded from the formal supervisory umbrella, it is unclear to what extent of stablecoin market concentration among few large players could pose "too big to fail" concerns in case of a run. For international policy makers, particularly in emerging markets and developing economies, the main risks relate to the potential of stablecoins to substitute the local currency and the lack of regulatory oversight over assets denominated in foreign currencies.

[14] Treasury issuance decisions are endogenous and influenced by broader macro-fiscal considerations. If preferable, the Treasury can react to a higher demand of short-term debt by issuing more at the long end to maintaining the duration of its debt.

[15] Cf. U.S. Treasury's "Debt to the Penny," https://www.treasurydirect.gov/NP_WS/debt/current (accessed September 2025).

[16] Cf. "The Global Economy," https://www.theglobaleconomy.com/Tonga/remittances_percent_GDP/ (accessed September 2025).

[17] Cf. World Bank, "Tajikistan Economic Update 2025," https://www.worldbank.org/en/country/tajikistan/publication/economic-update-2025 (accessed September 2025).

[18] Cf. Bloomberg. July 5, 2024. "Venezuela Crypto Remittances Skyrocket as Migration Crisis Worsens." https://www.bloomberg.com/news/articles/2024-07-05/crypto-remittances-becomes-key-for-venezuelan-migrants-supporting-families

Conclusion

Stablecoins have the potential to rapidly become macro-critical entities within international finance, directly influencing U.S. Treasury markets and broader global financial stability. U.S. and global policymakers must proactively monitor, anticipate, and manage these developments, balancing the benefits of increased financial efficiency and diversified Treasury funding against risks of market volatility and systemic disruptions. Enhanced regulatory clarity, strengthened reserve asset transparency, and rigorous stress-testing frameworks for stablecoin issuers are essential to harness their macroeconomic benefits while mitigating inherent risks. U.S. dollar-denominated stablecoins issuers could lower the risk of de-pegging events if they had full access to markets and financial instruments just like regulated financial institutions. It is important to strengthen international coordination and alignment with existing AML/CFT frameworks even for U.S. dollar-denominated stablecoins issued abroad to protect the integrity of the U.S. dollar.

The IMF and other international financial institutions have a role to play in facilitating technical assistance and analytical research on comprehensive monitoring of global stablecoin integration. The impact of stablecoin usage on the banking and fiscal sectors should be assessed thoroughly. Central banks should take the lead in the oversight of systemically important stablecoin arrangements, particularly if they aim to perform a payment function. Also, authorities will need to ensure that systemically important stablecoin arrangements have appropriate contingency plans to support a recovery, resolution or orderly wind down under the applicable legal frameworks, while at the same time ensuring continuity of any critical functions and activities within these arrangements and preventing spillovers to the financial system.

More analytical work and technical assistance is needed to research and help alleviate potential impacts of stablecoins on local currency substitution and circumvention of existing regulatory measures such as capital flow management measures in emerging markets and developing economies. Building on recent innovations such as Bank for International Settlements Innovation Hub (BISIH) Project Atlas, policymakers should be equipped with tools to monitor stablecoin inflows, outflows, and usage in their economies.

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