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CHAPTER

Stablecoins After GENIUS: Private Money, Public Debt, and the Global Dollar

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ABSTRACT

This paper examines privately issued US dollar-backed stablecoins and the implications of their potential growth following passage of the GENIUS Act in July 2025. It evaluates USD stablecoins as a form of private digital money and how they can improve domestic and cross-border payments, support the global role of the dollar, and improve the US fiscal position. The paper highlights three tradeoffs for policymakers. First, well-regulated stablecoins can address some inefficiencies and gaps in domestic and cross-border payments through advantages in cost, speed, and 24/7 availability, and can make money functional with programmable payments based on smart contracts that reduce the need for costly manual processes at intermediaries. But policymakers need to recognize that what makes stablecoins attractive for money and payments also can reduce protections for users, make them more attractive for illicit finance, and weaken the existing financial connections that give sanctions and anti-money-laundering enforcement their force. Second, stablecoin growth would increase demand for short-term Treasury bills and lower fiscal costs, but it would also shorten the maturity structure of federal debt and raise the variability of debt service costs, reduce seigniorage revenue, and risk impairing the availability of small business credit. Third, while growing overseas use of USD stablecoins supports the dollar's global role, foreign authorities are concerned about impairing the efficacy of their monetary policy and regulatory oversight and are accelerating their own payment system initiatives. Consequently, US policymakers should engage to reduce negative spillovers while preserving the benefits from foreign use of USD stablecoins. The paper makes some recommendations for navigating these tradeoffs as regulators finalize GENIUS Act rules and as Congress considers new legislation in the months ahead.

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Introduction

Stablecoins are digital assets that are issued, stored, and transferred on permissionless blockchain ledgers and backed by reserve assets to maintain stable values. Their development came in response to the high volatility in the value of crypto currencies, like Bitcoin, which limited the use of crypto for making mainstream payments. This paper looks at privately issued US dollar (USD)-backed stablecoins and the implications from their potential growth following the passage of landmark legislation, the GENIUS Act, in July 2025. It evaluates how USD stablecoins function as money—a private digital dollar—and as a settlement asset for mainstream payments. It then discusses how they can potentially improve domestic and cross-border payments and, if stablecoin use were to scale significantly, what it might mean for the global role of the dollar and US national security, the US fiscal position, and domestic commercial bank deposits and credit.

Our analysis of stablecoin activity leads us to a number of key findings, which highlight important tradeoffs and drive our policy recommendations.

First, well-regulated stablecoins can address some existing gaps and inefficiencies in domestic and cross-border payments. They can offer advantages in cost, speed, 24/7 access, and programmability, and have started being used more for cross-border business-to-business transactions and peer-to-peer remittances. Although GENIUS improves regulatory clarity, financial regulators need to complete writing the rules in the next several months to make them "fit for purpose" if they are to expand adoption and to mitigate systemic risk. In addition, stablecoins will be competing with commercial banks that are beginning to offer retail fast payments, including via the Federal Reserve's FedNow instant payments infrastructure, tokenized deposits, and stablecoins. The outcome of this competitive race is unknown—stablecoin use for mainstream payments may grow substantially and co-exist with bank products or may languish if alternative technologies achieve faster adoption and greater functionality. Regardless, greater regulatory clarity has ignited innovation by banks and fintechs—and with it, the promise of significant improvements—in payments and blockchain infrastructure.

Second, USD-backed stablecoins will likely help to maintain the important global role of the dollar relative to what might occur without a digital dollar instrument. The role of the dollar brings economic as well as national security benefits to the US since the connections it creates between foreign financial institutions and the US financial system are what give sanctions and anti-money laundering and combating the financing of terrorism (AML/CFT) enforcement their teeth. However, there are risks that digital payment systems, including those based on USD stablecoins, will reduce the importance of those connections, degrading efforts to combat illicit finance unless alternative chokepoints or leverage are created.

Third, the expansion of USD-backed stablecoins could materially increase the demand for short-term T-bills and lower fiscal costs under strong growth scenarios for stablecoins and if issuers

continue to hold most of their reserve assets in Treasury securities. But some stablecoin growth will come from users shifting funds out of domestic commercial bank deposits, currency, and money market mutual funds (MMFs), which themselves are backed by or invest in Treasury securities. Net new demand for T-bills will be larger when more of the growth in stablecoins comes from holders abroad or from funds reallocated from domestic banks, which do not invest heavily in Treasury securities.

Further, new demand will affect the maturity structure of Treasury debt because the GENIUS Act requires Treasury securities held as stablecoin reserves to have remaining maturities of 93 days or less to limit a maturity mismatch. An increased share of T-bills relative to longer-term coupon securities creates greater volatility in Treasury debt service costs and higher rollover risk. Another impact of stablecoin growth would be the loss of seigniorage revenues earned by the Federal Reserve, and ultimately by the Treasury, to stablecoin issuers as users reduce their holdings of currency.

Fourth, community banks face risks of deposit outflows, and these banks are a primary source of credit for small businesses that lack access to larger banks or capital markets. The extent of deposit losses will depend on a number of factors, including how banks respond to new competitive pressures and what assets stablecoin issuers choose to hold as reserves. Even if stablecoins lead to substantial outflows over time, small businesses will likely find credit from other sources, as has been the experience with the growth of other deposit-like substitutes, such as MMFs.

Fifth, foreign authorities have concerns about growing use of USD stablecoins in their economies, including that it might make macroeconomic stabilization more difficult. Partly in response, they have accelerated their own digital payment initiatives by refining their own stablecoin regulatory frameworks, creating networks of fast payment systems, and advancing development of central bank digital currencies. The Bank for International Settlements (BIS) continues to raise concerns about the long-run stability of stablecoins because they are not backed by central bank reserves and the Financial Stability Board (FSB) is concerned about financial stability risks arising from inconsistent regulations across countries, especially around stablecoin holders' redemption rights.

These findings highlight three major tradeoffs for policymakers if stablecoin use grows significantly. First, the potential benefits for payments should be balanced against the risk of making sanctions and efforts to counter illicit finance less effective. Some of the inefficiencies in the traditional payment system are related to actions taken deliberately to make illicit financial transactions more difficult, and this tradeoff exists for stablecoins as it does for cash. For stablecoins to maximize their benefits for payments, they will need to gain share in the system, including as an alternative to the correspondent banking network. Financial regulators and the

Treasury need to write rules to ensure trust, including convertibility at par on demand and operational resilience to facilitate large, fast, and secure transfers. At the same time, they need to recognize that these features are what make stablecoins attractive for illicit finance and what risk eroding the efficacy of sanctions and AML/CFT efforts.

Second, the potential benefits to the US fiscal position from increasing demand for short-term Treasury bills should be balanced against risks that come from having a shorter maturity of Treasury liabilities and from potentially reducing bank credit to small business. The Treasury should consider if the greater demand for short-term Treasury bills is stable or volatile and what it would suggest for optimal debt maturity. In addition, policymakers could maintain the prohibition on paying interest to ease the speed of stablecoin adoption until we learn more about whether and how risks to small business credit will materialize.

Third, a significant share of new stablecoin demand may come from holdings abroad, but this should be balanced against concerns from foreign policymakers that might otherwise enact policies resisting this growth. US policymakers should engage foreign governments on these concerns, seeking ways to minimize negative spillovers while preserving the benefits from foreign USD stablecoin use.

Finally, design and regulatory choices on USD stablecoins should be made with the assumption that innovation in digital payments will continue here and abroad. Policymakers can influence the role that USD stablecoins will play in the future global payments system, but simply maintaining the status quo is not a feasible choice.

We structure our paper as follows. Section 1 reviews how stablecoins work and their key use cases. Section 2 describes how they could help with domestic and cross-border payments and bring other benefits, such as supporting the global role of the dollar. It also discusses key factors for stablecoin adoption and risks stablecoin use may carry, such as the facilitation of illicit finance or increase in financial instability. Section 3 discusses implications for demand for the US government's debt and for its maturity structure. Section 4 briefly describes payment innovations in other countries related to expansion of USD stablecoins. Sections 2 to 4 conclude with specific recommendations. A final section offers a summary and a potential issue on the horizon for USD stablecoins as private money.

1. What are USD stablecoins? What are they used for?

1.1 The basics

Stablecoins are privately issued digital assets built on permissionless blockchains that are designed to maintain a stable value relative to a currency. Today, nearly all are pegged to the US dollar. To support redemption at par (i.e., $1), stablecoins are backed by a pool of liquid reserve

assets, mainly US Treasury bills. The authoritative record of ownership is a publicly distributed ledger that the stablecoin issuer does not unilaterally control.

Stablecoins can serve as a substitute for physical cash or bank transaction accounts. Like cash, stablecoins are bearer instruments that can change hands without the issuer's knowledge or control. They allow for peer-to-peer transfers without relying on the issuer or any central authority to process or validate individual transactions

Stablecoins offer technological capabilities that traditional bank transaction accounts often lack. Value transfers can settle in near-real time, 24 hours a day, 7 days a week, with finality—settlement cannot be reversed by the issuer after the fact. Transfers can be cheaper and made available to households and businesses without traditional bank accounts.[1] Stablecoins also could make payments more functional with smart contracts that are embedded in the blockchain ledger to execute payments automatically when predefined conditions are met, such as the delivery of goods or the completion of services. Banks can offer retail fast payments, like FedNow, which makes it possible to initiate and transfer funds in near-real time on a 24/7 basis. But stablecoins operate on a shared ledger system, while fast payment systems are grounded in the current banking infrastructure where each bank has its own databases. Banks can also offer tokenized bank deposits, which could have programmability features but would generally be in a more permissioned environment and lack the liquidity of stablecoins.[2]

1.2 GENIUS payment stablecoins

The Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act, enacted in July 2025, established the first comprehensive US regulatory framework for payment stablecoins designed to foster private sector financial innovation and reduce risks. GENIUS defines a payment stablecoin as a digital asset that can be used as a medium of exchange and is redeemable at par value on demand. It can be issued by a nonbank or a subsidiary of a depository institution subject to federal or state oversight. This oversight is less restrictive than oversight of commercial banks because stablecoin issuers only issue and redeem stablecoins and do not take deposits or make loans. GENIUS makes clear that a payment stablecoin is not a national currency, is not a security, is not a commodity, and is not backed by deposit insurance. Payment stablecoin issuers are not necessarily entitled to access the Federal Reserve payment and settlement services through master accounts. They also are not permitted to pay interest.

By providing this regulatory clarity, GENIUS has created a path for nonbank financial firms to issue private money that functions as payments outside the current two-tier structure of money. The two-tier system is based on (i) Federal Reserve central bank money that is used to settle transactions among depository institutions, and (ii) commercial bank money that is privately

[1] For more detail on stablecoins and fast payment systems, see Liang, 2026.
[2] For more details on the differences between stablecoins and tokenized deposits, see: https://www.brookings.edu/articles/what-are-the-differences-between-payment-stablecoins-and-tokenized-bank-deposits/.

created through credit. It relies on robust supervision and regulation of depository institutions and a federal safety net to promote trust and confidence in money.

GENIUS requires payment stablecoins to be backed at least one-to-one by a segregated pool of eligible reserve assets that are sufficiently liquid and low-risk to ensure convertibility at par on demand. Convertibility at par to fiat, i.e., the singleness of money, is key to a stablecoin's ability to function as money. Reserve assets include coin, currency, and US T-bills, but GENIUS also allows riskier assets to serve as reserves, such as uninsured bank deposits.

GENIUS also requires that stablecoins not be used for illicit activities and clarifies that payment stablecoin issuers are federal financial institutions for the purposes of Bank Secrecy Act AML/CFT requirements. This requirement means that stablecoin issuers would be subject to stronger and more consistent standards than currently exist under state-level money transmitter rules. In addition, stablecoin issuers are required to maintain effective sanctions compliance programs, a requirement that has not been applied to other financial institutions.

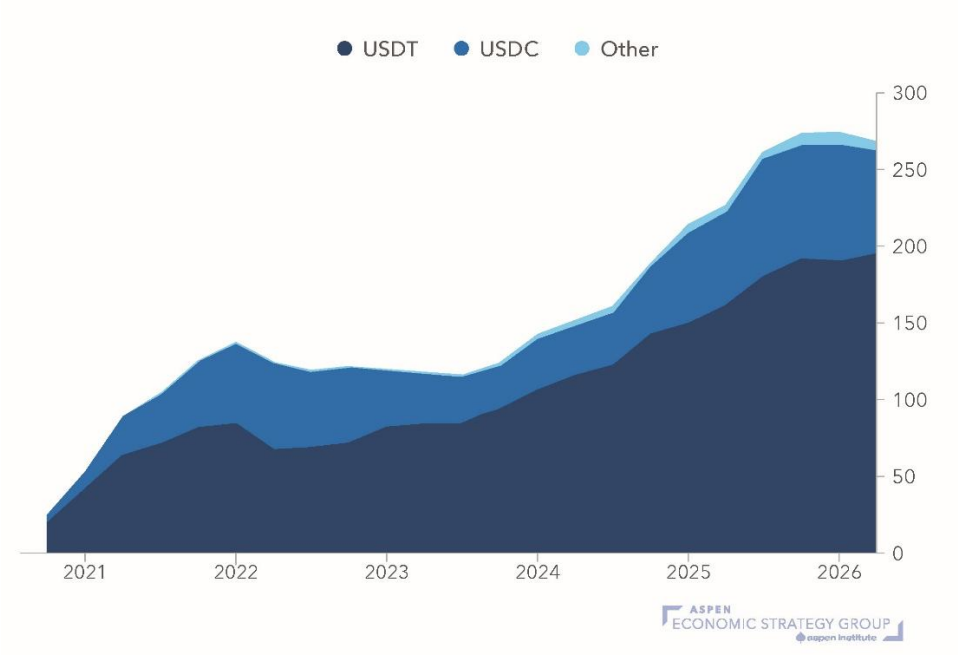
The rules implementing GENIUS are still being written, and their final form will be critical for creating trust and confidence. GENIUS takes effect at the earlier of either 18 months after enactment or 120 days after primary federal regulators issue final rules, putting pressure on regulators to finalize rules quickly. The comment period for the Office of the Comptroller of the Currency (OCC) proposed rules closed on May 1, 2026, and the comment period for Treasury's Financial Crimes Enforcement Network (FinCEN) and Office of Foreign Assets Control (OFAC) proposed rules ends on August 21, 2026.

1.3 Current activity

The USD stablecoin market has grown rapidly but remains small. Total outstanding balances reached approximately $270 billion in June 2026, up from $24 billion in 2020 (figure 1).[3] For context, M1 money supply—a measure of the most liquid money consisting of currency, demand deposits, and other liquid deposits—totaled more than $19 trillion. Tether's USDT, the largest USD stablecoin with a supply worth roughly $191 billion, is not domiciled in the US. Tether is offering a new stablecoin, USAT, in the US to be compliant with GENIUS; current outstandings are only $187 million, but it is aiming for rapid growth in interbank settlement systems and corporate treasuries. Circle's USDC, which is domiciled in the US, is the second largest stablecoin, with issuance valued at roughly $68 billion. USDC has grown at a faster rate than USDT and has applied for a new OCC charter so that it can be used by US residents and firms after GENIUS takes effect. There are other smaller stablecoins, and many have applied for charters since GENIUS passed, suggesting the market structure will continue to evolve.

[3] These figures refer to asset-backed stablecoins pegged to the US dollar. They should be distinguished from algorithmic or commodity-backed stablecoins, and from unbacked crypto assets, which function differently and carry distinct risk profiles.

Figure 1: USD stablecoins outstanding ($ billions)



Source: Visa/Allium
Note: Quarterly; 2026 Q2 as of July 7th. Other includes RLUSD, PYUSD, USDP, FDUSD, mUSD, USDG, and others.

Stablecoin transaction volumes have also been growing rapidly, and their use is expanding beyond trading crypto assets. Measuring what transactions volumes represent—such as crypto-trading and real-economy payments—is not straightforward.[4] One estimate made by BCG and Allium suggests that in 2025, between $350 and $550 billion of stablecoins were used for real-economy payments and $2,700 billion were used for crypto-trading, though a large set of transactions worth $950 billion was categorized as unclear activity (figure 2).[5] While real-economy payments are a small segment, they have experienced rapid growth since 2024. McKinsey and Artemis estimate that $390 billion of stablecoins were used for real-economy payments in 2025, twice the value from 2024.[6]

These data provide some insight into where stablecoins have made inroads. The BCG and Allium estimates show that business-to-business (B2B) payments account for the largest share (about 40 percent) of real-economy payments, with estimates of between $150 and $230 billion

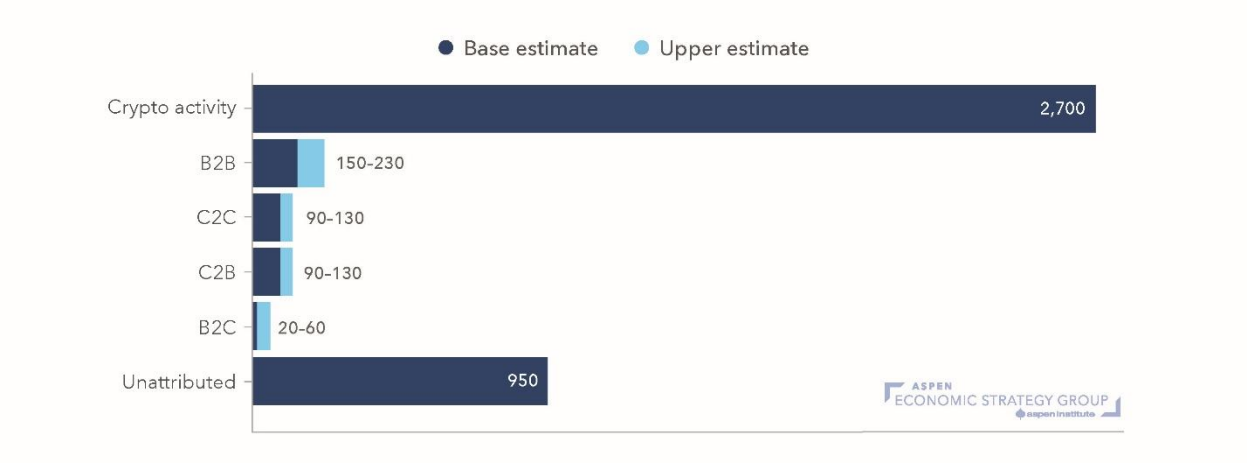
[4] While transaction figures for stablecoins based on raw blockchain data indicate substantial volume, many transactions reflect internal transactions generated by high-frequency bots that are not payments for crypto assets or real goods and services in the conventional sense. There are two frequently cited sources for transactions volumes. McKinsey and Artemis report total unadjusted transaction volume of $80 trillion and adjusted volume of $35 trillion (annualized December 2025), where adjustments are made to exclude internal transactions. Visa and Allium report unadjusted transaction volume of $78.9 trillion and adjusted volume of $33.5 trillion for the twelve months ending May 2026.
[5] https://www.bcg.com/assets/2026/white-paper-stablecoin-payments-truth-behind-numbers.pdf.
[6] https://www.mckinsey.com/industries/financial-services/our-insights/stablecoins-in-payments-what-the-raw-transaction-numbers-miss.

(figure 2). This use may be particularly compelling as small- to medium-sized businesses that want to move funds across borders typically face high costs and long delays. The next two most common use cases were customer-to-customer (C2C), including remittances, and C2B payments, with each representing between $90 and $130 billion. BCG also highlights that the share of informal retail C2C, as characterized by high-frequency price-sensitive transactions, like USDT transactions on Tron, is declining as volume from larger institutional and enterprise payment models is growing more rapidly.

Reuter (2025) studied on-chain transactions of USDT and USDC on major blockchains based on the locations of digital wallets and exchanges and found that most activity occurs in the Asia-Pacific region and in North America, followed by Europe. In terms of cross-border flows, stablecoin flows are mainly from North America to other regions, where they could be serving as a store of value or being used for cross-border payments.

As the use of payment stablecoins is poised to grow further with the implementation of GENIUS, there is also a growing recognition that some key features of public permissionless blockchains render stablecoins unfit for purpose for mainstream payments. They lack the standards and processes that exist in the traditional financial system to protect retail customer funds against fraud, cyber theft, or operational outages. They could have volatile fees and throughput constraints which reduce reliability. They may not be able to guarantee settlement finality, making them unacceptable to serve as collateral for margins at clearing houses or for other enterprise-grade uses.

Figure 2: USD stablecoin transaction volume by use, 2025 ($ billions)



Source: BCG/Allium (Jan 2026)
Notes: Crypto activity includes transfers on centralized exchanges, deposits and withdrawals from centralized trading infrastructure, decentralized exchange activity, and investment/trading activity. Real economy payments (B2B, C2C, C2B, and B2C) represent payments for goods and services; C2C includes remittances. Unattributed includes activity with "insufficient history, anomalous behavior, or atypical transaction patterns."

However, stablecoin issuers and blockchain infrastructure providers are responding. They are actively developing new infrastructure (Layer 1 chains, Layer 2 and other off-chain application layers), governance mechanisms, and technical standards that aim to make stablecoins safe and reliable for consumers and to achieve institutional-grade resilience for wholesale use cases.[7] For example, USDC recently launched a refund protocol that lets users send payments through a smart contract that temporarily holds the funds. This allows the buyer to ask for a refund and a non-custodial arbiter to help settle the dispute, though the protocol may not be easily accessible and uses more "gas" —the term used for blockchain transaction or validation fees—than a typical token transfer.[8] Stripe and Paradigm developed a Layer 1 blockchain called Tempo that is designed specifically for real-world payment use cases at scale. It handles fees, compliance, reconciliation, and settlement.[9] Visa and Mastercard are working to integrate stablecoins to improve their back-end infrastructures, which would allow customers to spend stablecoins wherever their cards were accepted, bridging traditional and blockchain-based payments.[10] The success of such efforts, and what products banks develop in response, will do much to determine whether stablecoins will be used more for mainstream payments or whether they remain largely confined to the crypto-asset ecosystem.

1.4 Expected growth

Projections for stablecoin growth vary widely. Treasury Secretary Bessent has estimated that their combined outstanding value could reach $3.7 trillion by 2030, more than thirteen times their current value.[11] Other forecasts from the private sector suggest a range of about $500 billion to $5 trillion, though comparisons are difficult to make since many do not provide the details underlying their forecasts.

Surveys provide some support for the possibility of substantial growth in stablecoin usage in coming years. A September 2025 EY Parthenon survey of 350 companies (250 nonfinancial and 100 financial) found that while only 13 percent currently use stablecoins, more than half of the non-users expect to adopt stablecoins within six to twelve months. They estimate that penetration of 5 percent to 10 percent of the cross-border payment market would lead to an increase in stablecoin demand ranging from $2.1 to $4.2 trillion.[12] A survey by Fireblocks, which is more heavily weighted to banks, fintechs, and crypto-native firms, indicates that about 50 percent are

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[7] A Layer 1 blockchain is the base layer network on which transactions are directly processed and settled. It does not rely on other networks for validation, and security is achieved with its own consensus mechanism. A Layer 2 blockchain builds on top of a Layer 1 blockchain to reduce fees and increase speed by bundling up transactions and not forcing the main blockchain to verify every individual transaction.

[8] Non-Custodial Dispute Resolution for Stablecoin Payments | Circle.

[9] Tempo: the blockchain for payments at scale.

[10] Visa's role in stablecoins | Visa; Mastercard enables stablecoins USDG, PYUSD, USDC, FIUSD on its network | Mastercard US.

[11] https://x.com/SecScottBessent/status/1935027160374210573?lang=en.

[12] https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/insights/financial-services/documents/cs-eyp-stablecoin-survey.pdf. EY Parthenon reports that for this estimation, transactions include cross-border B2B (excluding wholesale transactions like trading, FX), P2P, B2C, and C2B payment value in 2024.

using, 23 percent are piloting, and another 18 percent are planning to use stablecoins. In addition, both surveys indicate that cross-border payments (both to pay suppliers and accept payments) are the main use case. Respondents cited increased efficiency from lower costs and faster payment and settlement as the main benefits.

Additional growth could come if tokenization of securities, such as government bonds and equities, continues to expand. Currently, securities transactions involve two different "rails," one for payment and one to deliver the securities, which can lead to settlement delays and failures. Tokenization of securities allows for the exchange and settlement at the exact same time on a blockchain (a method known as "Delivery vs Payment" (DvP)). Stablecoins could provide the necessary on-chain cash leg to facilitate these types of transactions. This market currently is small, but investment by traditional infrastructure providers is expanding quickly: the Depository Trust and Clearing Corporation (DTCC) is piloting tokenization services for Treasury securities that it custodies. and the New York Stock Exchange announced a tokenized securities platform to trade equities.

In addition, if agentic AI continues to be developed, trusted, and adopted, stablecoins with smart contracts might naturally become the preferred currency used by autonomous agents. For example, stablecoins with smart contracts might enable automatic, rule-based execution between agents and allow them to engage with API data and cloud services, make micropayments for energy and data usage on demand, or to execute financial trades. Cong, Liao, Prasad, and Zhang (2026) document that a substantial share of the 2025 increase in USDC use consisted of machine-initiated payments by autonomous AI agents transacting at sub-cent denominations, consistent with a spread of agentic AI workflows.

2. How would USD stablecoins improve payments?

2.1 Current problems and opportunities

The US payment system has significant strengths, built around central bank money and private financial intermediaries, and has defined processes for resolving disputes, errors, or fraudulent transactions. Cash is the simplest form of payment and settles immediately, but is not convenient for large transactions and cannot be sent or requested automatically. Noncash payment systems process an enormous volume of noncash transactions reliably—such as wholesale large value transfers through Fedwire and the Clearing House Interbank Payments System (CHIPS) and retail payments through FedACH and the Automated Clearing House (ACH)—and generally provide final settlement in central bank money. But these systems can be expensive, slow, and inaccessible in places. In addition, consumers are increasingly choosing to make payments electronically rather than with cash. Annual surveys by the Federal Reserve Bank of Atlanta show that the share of transactions conducted in cash fell from 31 percent to 13 percent between

2016 and 2025, a trend accelerated by the COVID-19 pandemic, with younger households much less likely to use cash than older households.[13]

Relative to other G-7 countries, US consumers pay more per non-cash payment transaction. For example, the average US credit card interchange fee is roughly six times the 0.30 percent rate in the EU and UK, and debit interchange is three to four times the rate of Canada and the EU (Duarte et al. 2022). Further, according to the Federal Deposit Insurance Corporation's (FDIC) most recent survey, 4.2 percent of US households—approximately 5.6 million—are unbanked and an additional 14.2 percent are underbanked, a higher percentage than in any other G-7 country. These households, which are more likely to have lower incomes, may have no ability to make certain types of payments or may have to rely on higher-cost alternatives to do so.

Frictions in payments are amplified, sometimes dramatically so, when payments cross international borders. Most cross-border payments pass through chains of international correspondent banking relationships. Payments may be routed through banks located in multiple countries and time zones, with different operating and compliance norms, adding cost, delay, and settlement risk. Further, cross-border payments often involve currency conversion and, in developing and emerging markets, can bump up against capital controls or restrictions on cross-border transmission of data. Finally, banks may exert significant market power and charge markups, not just with fees but also indirectly with the exchange rate they use to convert payments in different currencies.

The problem is particularly acute for retail and small payments, in part given that cross-border transactions involve a fixed cost. Globally, the World Bank reports that remittance fees average roughly 6.4 percent for a $200 transfer. For the most expensive corridors, they can exceed 20 percent. Small payments are also slow, and the timing of settlement is uncertain.

2.2 How stablecoins can help

Payment stablecoins can address several of these weaknesses. While most consumers and businesses do not care about the underlying technology, they do value access and convenience, reliability, speed, and low cost. Stablecoins may help, especially for cross-border transactions, by collapsing what can sometimes be a multi-bank chain of correspondents into a single transfer on a single blockchain ledger.

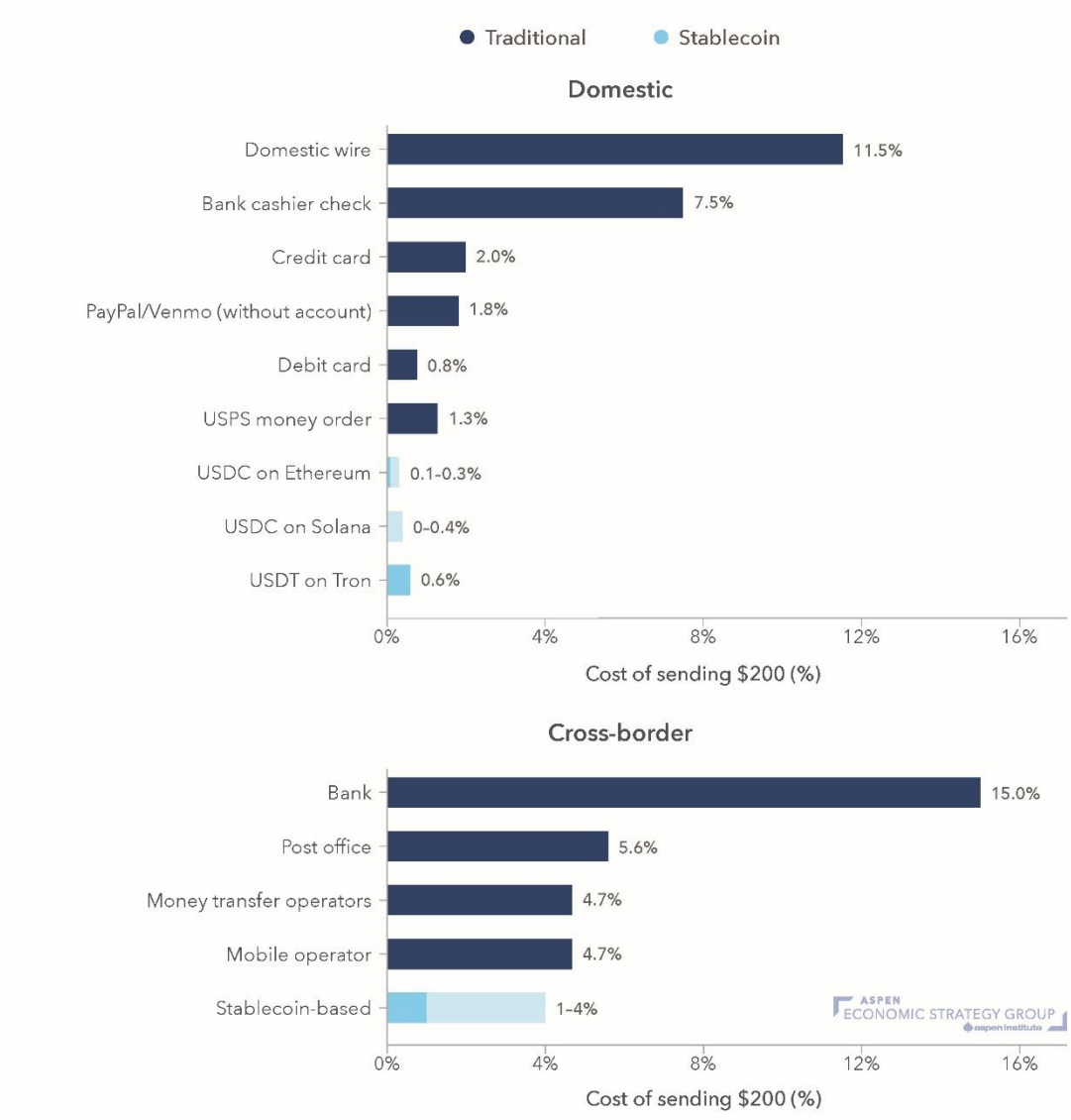
Figure 3 presents estimates of consumer costs to send a $200 domestic (top panel) and cross-border (bottom panel) payment. Costs for most payments involve some flat fees and a variable component and depend on access to a bank account or a card service. The estimates presented here aim to average across these costs for a particular amount and are for customers that do not

[13]See most recent survey at https://www.frbservices.org/news/research/2026-findings-diary-consumer-payment-choice.

have bank accounts of sufficient size to qualify for free (i.e., cross-subsidized) transaction services.

Domestic wire and cashier checks have very high costs, reflecting significant per item flat fees. Credit and debit card fees for domestic payments, as noted above, are higher than in other advanced economies. PayPal/Venmo offers instant payments, but fees for customers without an attached bank account are comparably high. For comparison (but not shown), Zelle instant payments are free for customers with bank accounts at participating banks.

Figure 3: Costs of sending a $200 payment, by method (% of transfer)



Sources. Author estimates. Domestic costs from SmartAsset; Bankrate/NerdWallet bank-fee surveys, PayPal/Venmo disclosures, USPS Notice 123. Debit card reflects Federal Reserve Regulation II average interchange fee data (dual-message networks, 2023 transaction data). Stablecoin estimates include various US-domiciled crypto exchange fee schedules and reported figures from CoinGecko, Solana, Etherscan.

For cross-border payments using non-stablecoin methods, we report the costs of sending $200 across various corridors (i.e., countries, currencies, etc.) published in the World Bank's quarterly "Remittance Prices Worldwide" (World Bank 2025). As shown in the figure, the cost of sending a wire through the banking system can be very high, with the World Bank's average value equaling 15 percent. Other traditional options, including money transfer operators ("MTOs," like Western Union and Moneygram) and mobile operators (like M-Pesa), have average costs around 5 percent, as did sending cross-border remittances through the Post Office.[14] Within each of these categories, there is surely significant variation. Fintech money transfer operators like Remitly and Wise advertise much lower rates, for example. But on average, sending small cross-border payments using any of these methods involves significant cost.

Both panels illustrate the potential for stablecoins to reduce costs for transferring value on exchanges. For domestic payments, the fees shown for USDC on Ethereum and Solana include gas fees, which vary by blockchain, and the costs of acquiring stablecoins on exchanges and conversion to and from fiat, which sometimes are waived. The range of costs for USDC for a specific blockchain reflect differences across two exchanges; the cost shown for USDT on Tron is for one domestic exchange. While the range is fairly wide for stablecoins (from almost zero to 0.6 percent), it illustrates that costs can be lower than traditional payment rails for small transfers made by customers without established bank accounts or cards.

The potential cost savings relative to traditional methods from stablecoin-based cross-border payments are even larger. There is limited systematic data on the cost of making cross-border payments with stablecoins, but we consider a few estimates and methods and arrive at a range of 1–4 percent, which suggests high potential for cost savings. The range of costs would likely widen if we considered a broader set of corridors.

Du, Huang, and Scharfstein (2026) give an example of a "USD-USDC-EUR Coinbase-Kraken Stablecoin Sandwich," whereby a US sender deposits dollars into Coinbase and uses them to buy USDC, transfers the tokens on Ethereum to Kraken, exchanges that into euros, and withdraws those euros to a bank account. Their exercise is meant to be largely illustrative. Nonetheless, summing all the fees, some of which are fixed in nature and some variable, yields a roughly 1.6 percent cost on a $200 payment. Adams, Lader, Liao, Puth, and Wan (2023) (which includes authors from the stablecoin industry) estimates a range for the fixed and variable cost of sending a remittance that ranges from very low (we round it up to 1 percent) to a high of 4 percent on a $200 transfer. Other estimates come from public statements or commercial reviews of stablecoin-based cross-border transfers. Circle, the issuer of USDC, publicly responded to a query from the BIS Committee on Payments and Market Infrastructure that a $500 remittance from USD to EUR can cost $4.80 using payment stablecoins. Depending on how much of that $4.80 is fixed versus variable, this yields a cost on $200 of roughly 1–2 percent. Finally, the site

[14] The US Postal Service discontinued international remittances to and from the United States in 2024–2025.

moneytransfers.com, in its review of the stablecoin-based money transfer company Felix Pago, estimates that sending $200 to Mexico costs around $5.74, or 2.9 percent.

Costs are only one dimension of payment efficiency, and the cost figures above are only for small retail payments. On speed, the standard ACH network settles in one to three days, card networks run multi-day clearing cycles, and wire transfers are limited to business hours. Moreover, customers lose interest on funds during the multi-day payment cycle. In contrast, stablecoins settle on chain in near-real time, 24 hours a day, seven days a week. Settlement is final when the transaction is recorded on the blockchain, typically within seconds on current networks.

2.3 Other potential benefits

Beyond improving payment efficiency, stablecoins offer other potential benefits. This section elaborates on three such areas: (i) supporting the global role of the dollar, (ii) providing competition to banks that have had exclusive access to the Federal Reserve payments rails, and (iii) reducing the hidden costs of inefficient payments.

a. Supporting the global role of the dollar

Proponents of USD-backed stablecoins argue that their growth may prevent or attenuate any erosion in the global role of the dollar. As other countries and regions introduce new digital currencies or digital payment platforms that offer faster speed, lower cost, and greater accessibility for cross-border payments, they could gain market share over time at the dollar's expense if a dollar-backed option were not available. Trusted USD-stablecoins available on major blockchains that offer similar benefits for payments could help to attenuate any such shift and thereby support the dollar's primacy in global digital financial infrastructure. Stablecoins could extend the dollar's reach if they are held as a store of value in high-inflation economies with capital controls or high financial transactions costs (Auer, Lewrick, and Paulick 2025).

Despite the possibility of a shift toward other currencies, the US dollar's privileged status currently remains strong. The USD share of cross-border payments in SWIFT data was 53.4 percent for financial institution flows and 55.1 percent for customer flows in 2024 (Cerutti, Firat, and Hengge 2025). The US dollar was on one side of 89.1 percent of global over-the-counter (OTC) foreign exchange trades, far exceeding the second highest share of 28.9 percent for the euro (BIS 2025).[15] The dollar accounted for about 57 percent of foreign exchange reserves in the fourth quarter of 2025 and is used to denominate most of the world's export invoices and cross-border bank lending (IMF COFER 2025; Bertaut, Curcuru, and von Beschwitz 2025).

Americans benefit economically from the dollar's global role. The large demand to hold, borrow, and transact in dollar-denominated assets reduces the borrowing cost of dollar liabilities for the

[15] These share sum to greater than 100 percent because each FX trade involves 2 currencies.

US government as well as for private borrowers. This lower yield on dollar assets is often referred to as the "convenience yield." Estimates of the scale of the convenience yield vary widely and differ based on different types of assets and time periods, but it is generally thought to confer real economic benefits to Americans. On the more modest end of estimates, Du, Im, and Schreger (2018) show that the historical premium of 21 basis points on US Treasuries with medium maturity largely disappeared, and Du, Keerati, and Schreger (2026) show a decoupling of the convenience yield on the US dollar and Treasury securities, with both starting after the Global Financial Crisis. Toward the larger end of estimates, Jiang, Krishnamurthy, Lustig, and Richmond (2026) use a calibrated model to conclude that a future loss of the dollar's reserve status could in steady state cause US interest rates to rise by nearly 90 basis points.

The historically cheaper funding on dollar liabilities, and tilt toward Treasuries in foreign holdings of US assets, both contribute to the US "exorbitant privilege"—the fact that, when analyzed over the post-WW2 period, the US has earned a higher return on its foreign assets than it has paid on its foreign liabilities. American firms also benefit from the role of the dollar in that it substantially reduces their need to invoice in foreign currency and hedge currency mismatches.

As discussed in Gopinath and Stein (2021), there are significant complementarities across uses of the dollar that mutually reinforce its dominance, which is one reason there is little or no evidence of a broad or sustained decline in the dollar's status in recent decades. At the same time, these complementarities mean a sustained decline in the global role of the dollar, were it to occur, might be hard to reverse. Reinforcing global use of the dollar by promoting the global use of USD stablecoins may reduce the likelihood of any such decline.

b. Increasing competition

Stablecoins are increasing competition in the domestic and cross-border payments market, potentially reducing markups and incentivizing innovation. These benefits may have lasting power even if, once stablecoins are enhanced to have the illicit finance and consumer protections expected for mainstream payments, they cannot deliver significant gains on cost and speed. Budish and Sunderam (2026) suggest the greatest gains may come from competitive pressures on intermediary rents or inefficient regulations, in part because of doubts about whether stablecoins can be retro-fitted with protections needed for mainstream commerce rather than trading crypto assets. Liang (2024) argues a new federal payment charter for stablecoin issuers could replace outdated regulations for payment firms and reduce barriers to entry stemming from banks' exclusive access to the Federal Reserve's payment rails. Such a charter might enable well-regulated stablecoin issuers and other fintech firms to apply for access to the Federal Reserve master payment accounts, increasing competition and exerting downward pressure on markups.

We are already beginning to observe the effects of greater competition for better payment services. More banks are adopting FedNow (though most are set up only to receive), developing

tokenized deposit offerings, and improving their mobile payment interfaces, including studying how to integrate stablecoins. For example, JPMorgan Chase has offered tokenized deposits on a permissioned blockchain, and more recently began to offer a deposit token to institutional clients on a public blockchain with privacy enhancements. Citi is offering stablecoin services on a permissioned blockchain to the 250 corporate clients for which it already provides clearing services, and Bank of New York has launched tokenized deposits to improve collateral workflows. A group of large banks announced they are developing a shared tokenized deposit network built on the fast payment system RTP.[16] Zelle, an interbank fast payments system with more than 2,400 participating banks and credit unions, announced that it is launching a USD stablecoin that will be available for international remittances and other payments.[17] A group of community and regional banks have announced they will issue a USD stablecoin through a consortium, and another group of regional banks have announced they will launch a new tokenized deposit network.[18]

Reflecting greater interest in improved access and convenience, the Fed has announced it will extend Fedwire Funds Service to 6/22 availability (i.e., 6 days per week, 22 hours per day), and National Settlement Service to 6/21.5 availability. It also is proposing to offer access to a new, limited master payment account for firms that are not subject to the full set of prudential bank regulations. This might include nonbank stablecoin issuers with a trust bank charter. These "skinny" accounts would allow stablecoin issuers to directly clear and settle transactions in central bank money, simplifying the exchange of stablecoins for bank deposits and cash. But these skinny accounts would be restricted in other ways. The Federal Reserve has proposed to cap their account balances, not pay interest, not grant daylight overdraft privileges, and not provide access to discount window borrowing—differences from standard master accounts that draw a clear distinction between access provided to prudentially regulated commercial banks and payment stablecoin issuers.

c. Reducing hidden costs

There are significant "hidden" economic costs because of frictions in money and payment systems that prevent potentially valuable transactions from occurring, an observation made by Carstens (2023). Frictions can result in high fixed costs and long settlement periods that make small transactions uneconomical, as well as high liquidity costs for payees. Stablecoins, as well as other payment innovations, including fast payments systems (FPS), can help to reduce these costs.

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[16] https://www.theclearinghouse.org/payment-systems/Articles/2026/06/Major-Financial-Institutions-Unveil-Bank-Led-On-Chain-Money-Initiative.
[17] https://www.zelle.com/press-releases/zelle-heads-to-india-unveils-zelleusdsm-stablecoin-other-markets.
[18] https://www.cari.com/and https://www.bankingexchange.com/news-feed/item/10552-regional-banks-team-up-for-tokenized-deposits.

More than 100 jurisdictions have put in place FPSs for retail usage (Lammer, Leppanen, and Semorile 2026). Perhaps most prominently, Brazil's Pix, India's UPI, Kenya's M-Pesa, and Thailand's PromptPay have achieved widespread adoption among domestic users. Analysis of FPS adoption is related to increased access to a loan from a financial institution (Frost et al. 2024). In addition, others have found that adoption of FPS has increased household income and small business creation (Dubey and Purnanandam 2023), smoothed consumption (Jack and Suri 2014), and improved access to credit (Berg et al. 2020). These benefits may arise from broader inclusion into the financial system and from micropayments that are currently priced out of the market by minimum fixed fees.

Gains from payment stablecoins may resemble those experienced from the widespread adoption of FPS in other countries as they offer similar improvements over legacy payment systems in their speed, cost, and accessibility.

2.4 What does success depend on? What risks do stablecoins bring?

Stablecoins may offer these improvements for domestic and cross-border payments. But success is not guaranteed. To have a positive impact, stablecoins must be well-designed, well-regulated, and more widely adopted. On all these conditions, the jury is still out. In this subsection, we highlight four key aspects of their design, regulation, and adoption: (i) upholding the singleness of money, (ii) ensuring operational resilience, (iii) preventing use for illicit finance and preserving national security tools, and (iv) protecting consumers.

a. Upholding the singleness of money

First, perhaps the most fundamental design and regulatory requirement is that payment stablecoins maintain the singleness of money: the property that one dollar of any form is exchangeable at par for one dollar in any other form. For this to hold, stablecoin issuers must be able to honor redemption requests at par at all times, including during periods of market stress. To achieve these goals absent backing by central bank reserves and federal insurance, stablecoins need to be backed at least on a 1:1 basis only by assets with negligible mark-to-market or liquidity risks, or issuers need to hold capital sufficient to fully absorb any potential losses in the value of the reserve assets.

Since GENIUS allows uninsured bank demand deposits as reserves backing stablecoins, financial regulators should set higher capital requirements for them relative to currency or T-bills to ensure convertibility at par at all times. The OCC currently is reviewing comments on its proposed regulations that did not distinguish between the risks of uninsured bank deposits and other reserve assets that had no credit or liquidity risks for setting capital requirements.[19] However, absent sufficient capital for uninsured deposits, a bank failure could cause the value of

[19] See comment letter to the OCC from Dudley and Liang that stablecoins need to be fully backed only by assets with minimal risks or to hold capital to absorb losses of any reserve assets, such as uninsured demand deposits, that have credit or liquidity risks. https://www.regulations.gov/comment/OCC-2025-0372-0233.

a stablecoin's reserves to fall below the par value of the outstanding stablecoins. The risk of such an outcome could prompt a run on the stablecoin because holders were no longer confident of convertibility at par value. The run in 2008 on the Reserve Primary Fund that held risky commercial paper issued by Lehman Brothers—which could be comparable to risky uninsured deposits—illustrates the run risk when risky assets are permitted without enhanced capital requirements to absorb any losses. Runs on a stablecoin could have systemic consequences for other stablecoins that hold similar assets, which could lead to stresses in broader funding markets if stablecoin issuers were forced to sell reserve assets to meet redemption requests.

GENIUS also permits issuers to hold both repo and reverse repo as reserve assets. While permitting repo (in effect, the issuer borrows cash secured by Treasury collateral) is included to help stablecoin issuers meet liquidity demands, the Treasury collateral could be seized by the lender in the event the stablecoin issuer were to fail. This priority claim means that the value of the reserves could fall by more than the amount of stablecoins. The OCC should address this problem by allowing repo transactions but not permitting them to count as reserves in the segregated pool of assets to be made available to holders in the event of a failure.

In addition, most users do not transact directly with the issuer, but instead purchase and redeem stablecoins in the secondary market from arbitrageurs authorized by the issuer. Arbitrageur arrangements are not standardized; Tether averaged six arbitrageurs and Circle averaged 521 arbitrageurs in a given month (Ma, Zeng, and Zhang 2025). While GENIUS requires timely redemption for stablecoins, it is silent on whether users should always be able to redeem directly from the issuer and not only through the arbitrageurs in the secondary market. But deviations from par in the secondary market can also be a trigger for runs.

b. Ensuring operational resilience

Second, managing operational risks is a key challenge. The legacy infrastructure for settling T-bills—which form the core of permissible stablecoin reserves—operates during traditional business hours and settles on a T+1 basis. A stablecoin that promises 24/7 redemptions is thus linked to an underlying market that cannot guarantee 24/7 liquidity for its reserve assets (Yadav and Malone 2025; Liang and Zhu 2026). During normal periods this technological mismatch may be manageable, but it could be a trigger for runs and become more consequential as stablecoin usage grows.

Some of this mismatch may be mitigated by ongoing industry efforts to tokenize Treasury securities and government MMFs. In particular, DTCC (the main clearinghouse and securities depository for Treasury securities) is piloting a program to move Treasury securities on chain, whereby securities are moved to its new centralized Digital Account and tokens are issued on a (privacy-enhanced/permissioned) blockchain (Canton). Token transfers would allow for 24/7 execution and atomic settlement. This differs from Treasury securities native to a blockchain which are a token representing the actual Treasury security. The security of the tokenization model relies on the cryptographic proof that the on-chain tokens are fully backed by the off-

chain Treasury securities, which requires a constant, verifiable link between the custodian's records and the blockchain. In addition, BlackRock currently offers to institutional investors a tokenized government MMF with tokens issued on-chain, and supports intra-day redemptions at pre-set time intervals. T+0 redemption is available to USDC via a Circle-operated swap facility at a small discount to net asset value (NAV) or redemption for cash is available at T+1.

In addition, finality of a payment cannot be guaranteed on open permissionless blockchains when, for example, there are a large number of validators. Circle is testing the possibility of restricting the number of validators in an attempt to maximize the likelihood that finality can always be achieved and quickly. Payment predictability on permissionless blockchains can be compromised because of congestion and volatile transaction fees. Moreover, different USD stablecoins operate on different blockchains and are not necessarily interoperable with each other, though all claim to be convertible to a US dollar. Even a single stablecoin might not be fully interoperable—USDC is offered on 35 blockchains, but not all tokens are chain-agnostic and may require different token names and payment of fees to swap assets across chains. Cross-chain bridges are used to fill this technology gap, but they became a source of cyber risks, though protections have improved.

c. Preventing use for illicit finance and preserving national security tools

Design choices for USD stablecoins that support the global role of the dollar are not only economically relevant, but are also important for US national security. US financial sanctions and AML/CFT actions can require US institutions to restrict or sever all ties with targeted entities. This threat is only powerful because the dollar's ubiquity means that it is hard for foreign companies to do business without their connections to the US financial system.

To make and receive payments in dollars, foreign banks typically have dollar bank accounts with a US-based correspondent or have dollar accounts with a bank that itself has a dollar account in the US (Matvos and Neiman 2026). Given their need for US dollars, foreign banks also often issue commercial paper or certificates of deposit to US corporate treasurers or US money market investors. And foreign investors often domicile their dollar-denominated securities with a US-based custodian. The Treasury's OFAC typically has no direct authority over foreign banks, but if OFAC sanctions a foreign entity, it can effectively curb all of these activities.

Similarly, enforcement of AML/CFT rules is strengthened by the importance of the dollar. For example, section 319(b) of the USA PATRIOT Act, as amended by section 6308 of the Anti-Money Laundering Act of 2020, gives the US the legal authority under some conditions to subpoena any foreign bank that maintains a US correspondent account for records of any account at that foreign bank. If the foreign bank refuses, then the US can order the correspondent relationship terminated.[20] Few other jurisdictions have any laws with comparable reach. But even

[20] Relatedly, section 311 of the USA PATRIOT Act (codified at 31 U.S.C. 5318A) authorizes the Secretary of the Treasury to designate a foreign financial institution as a "primary money laundering concern" and to impose

if they did, the power behind such laws would not compare. Due to the role of the dollar, correspondent banking relationships with US banks are uniquely valuable to foreign financial institutions.[21]

USD stablecoins may help preserve the dollar's dominant role as the currency used to denominate global transactions but have the downside that they may weaken some of these chokepoints in the financial infrastructure that the United States currently uses to enforce sanctions and AML/CFT rules. For example, if stablecoins lead to a significant reduction in the importance of correspondent banking, there may not be a natural equivalent to encourage compliance to the subpoena power mentioned above, and there could be much less of the routine reporting by banks that surfaces suspicious activity.

Creating or integrating robust processes to limit the use of stablecoins for illicit finance is also likely essential for there to be greater adoption by corporate treasurers that worry about the legal or reputational risks that come from stablecoin use. While stablecoin issuers can block and freeze accounts, and generally will do so when official authorities request it, the governance process and legal authority for taking such actions is unclear. Given the speed of stablecoin transfers, law enforcement may struggle to obtain judicial orders within the short time frame required.

Further, a key challenge these processes must address and, hopefully, overcome is that most illicit activity involving stablecoins occurs on the secondary market, transactions where the issuer is not a party except potentially through a smart contract.[22] And, as reported by Calder, Du, Gopinath, and Stein (2026), self-custody wallets—not held at foreign or domestic exchanges—account for about two-thirds of stablecoin holdings and about one-third of transactions. Gopinath (2026) emphasizes how this makes stablecoins vastly harder to monitor than deposits.

d. Protecting consumers

Fourth, stablecoins should have mechanisms to offer recourse to consumers who are defrauded or make errors. Ways to protect consumers, such as through off-chain controls, are being

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measures ranging from added reporting requirements to prohibiting—or forcing banks to close—the correspondent accounts that connect it to the US banking system.

[21] For USD stablecoins to succeed in preserving the national security benefits that derive from the global role of the dollar, they must not just preserve the dollar's place as the dominant global currency but must also preserve the scale of the dollar's dominance. As emphasized in Clayton, Maggiori, and Schreger (2025), the power of threats to disconnect a foreign entity from the US financial infrastructure relies on there being insufficient alternatives. If a moderate share of global finance had no need to connect to US financial institutions, that would allow for plenty of resources available to intermediate activity that was illegal or against US national security interests.

22 While the proposed AML and sanctions rule for stablecoin issuers proposes requiring stablecoin issuers to block, freeze, and reject transactions in the secondary market as well as requires issuers to implement a sanctions compliance program for the secondary market, the proposal has received pushback from industry participants, and the scope of the final rule is still under deliberation.

developed, but are challenging as any changes conflict with a core principle of immutability that has driven the development of blockchain technology.

Regulators have the authority under GENIUS to set rules to mitigate the possibility of these scenarios involving losses, runs, or operational costs and risks. Absent regulations to promote trust and confidence in USD stablecoins, it is unlikely that they could achieve the scale of adoption required to bring about significant economic benefits.

2.5 Recommendations

- The OCC (and state regulators, where applicable) should set capital, liquidity, and risk management standards to ensure convertibility at par, recognizing that some reserve assets permitted by GENIUS are not low-risk or highly liquid.
    - Issuers who want to hold riskier assets, such as uninsured bank deposits, should have higher capital requirements.
    - Repo transactions (borrowing based on Treasury collateral) should not be an eligible reserve asset for 1:1 backing in the segregated pool of assets.
    - Holders should be able to redeem directly and on demand from the issuer, not only through authorized arbitrageurs on the secondary market.
    - The current proposal by the OCC falls short of these recommendations and does not distinguish among reserve assets by risk nor create incentives to minimize their holdings of higher risk assets, and would allow two days for timely redemption.
- The Fed should set as a precondition for access to its proposed "skinny" payment accounts that stablecoin issuers be subject to regulations that can credibly ensure convertibility at par on demand.
- Policymakers should evaluate tokenizing T-bills to address the liquidity mismatch between stablecoins with on-demand redemption and Treasury securities that settle T+1. This need could be obviated by industry efforts to tokenize Treasury securities or government MMFs if the security and resilience of the tokenization models are robust.
- The Treasury (FinCEN and OFAC) should finalize rules that impose federal bank-like standards on stablecoin issuers in the primary market. Because stablecoins are a bearer instrument, they should also impose standards for secondary market transactions. The current proposal for higher standards would apply to secondary markets but recognizes the greater difficulties of tracking secondary market transactions. The Treasury should also consider, as proposed in Liang and Dudley (2026), restricting stablecoin transactions to registered private wallets held at regulated custodians that meet international AML/CFT standards and consider the feasibility of establishing a global registry of trusted counterparties with which stablecoin users can transact.
- Regulators should require controls and compliance by USD-stablecoin issuers and wallet providers that can substitute, as much as possible, for the enforcement leverage currently

supplied by correspondent banking. FinCEN should finalize the proposed rule that requires regulated issuers to comply with lawful orders, such as seizure requests, including in the secondary market, and to have the technical capabilities to block, freeze, and reject impermissible transactions. Congress should consider providing stablecoin issuers with liability protection if they comply with law enforcement requests but before a court order is obtained. FinCEN should further explore and explain when stablecoin issuers should proactively block, freeze, and reject illicit transactions.

3. Do USD stablecoins help US government finances?

3.1 The fiscal argument for stablecoins

GENIUS was enacted against a backdrop of serious fiscal pressure. The US government ran a deficit of approximately $1.8 trillion in fiscal year 2025, and the forecasted trajectory of federal debt-to-GDP raises legitimate questions about the US's long-run fiscal sustainability. Stablecoins were not designed as a fiscal instrument, but the prospect of stablecoin-driven demand for T-bills emerged as an important source of political support for the passage of GENIUS. The argument has two parts. First, as discussed above, dollar-denominated stablecoins might reinforce the global role of the dollar. Second, stablecoin growth would directly increase demand for T-bills because issuers would demand them for their reserve assets. Both forces could lower the government's borrowing costs.

In this section, we discuss the key determinants of the extent to which stablecoins will in fact generate new demand for T-bills. We then discuss potential offsets to these benefits, including a loss in seigniorage, increased volatility of debt service costs as the Treasury debt maturity structure shortens, and a decline in credit to local communities if stablecoins grow by attracting transactions deposits from banks.

3.2 New demand for Treasury bills

Currently, stablecoin issuers hold a high share of their reserve assets in US Treasury securities. Based on the financial statements at 2025:Q4, the two largest USD-backed stablecoin issuers held about $140 billion in Treasury securities and another $70 billion in "reverse repo" (lending based on Treasury collateral). Combined, Treasury exposures are 79 percent of their total assets.

Given the propensity for stablecoin issuers to hold Treasury securities and the GENIUS requirement that T-bill holdings have remaining maturities of 93 days or less, how much would stablecoin growth increase T-bill demand? We provide a rough estimate of new net demand based on the following: (1) three scenarios of stablecoin growth from Citi Research; (2) estimates of how much of the growth is a reallocation from domestic bank deposits, currency, or MMF shares and how much is from foreign assets; and (3) how much these sectors already purchase T-bills. Combining these three elements, we derive a first-round net new demand for T-bills from stablecoin growth.

a. Alternative estimates of stablecoin growth

We do not ourselves make an independent estimate of stablecoin growth but rather consider three scenarios laid out by Citi for the USD stablecoin market size in 2030 (Citi Institute 2025). They detail a low growth scenario ($900 billion), a medium growth scenario ($1.9 trillion), and high growth scenario ($4 trillion). These alternatives fall within the wide range of estimates offered by a variety of private sector participants. Citi projects increased use for payments, greater adoption by residents in foreign countries with high inflation or weak financial systems where USD stablecoins serve as a store of value, and adoption by corporate treasury cash management units. Their high growth scenario also assumes stablecoins are permitted to pay yield, crypto-trading continues to expand, and institutions increase their use for collateral management and settlement.

Importantly, for each scenario, they offer not just the total value of stablecoins but the sectors from which the demand originated, or in some cases, a qualitative description that we use to infer the sectors supporting growth. Their scenarios allow us to look at the intensity of T-bill holdings in the shrinking sectors and compare that to the new $0.79 of T-bill demand that we assume, based on current practices, would come from each dollar of stablecoin growth. For each scenario, we can then offer an estimate of net T-bill demand.

b. Reallocation to support stablecoin growth

We consider four asset categories that might experience reduced demand to support the growth of stablecoins: (i) domestic bank deposits, (ii) domestic currency, (iii) domestic MMFs, and (iv) foreign assets. The allocation is important because each sector differs by how much they already hold or invest in T-bills. For example, if a household sells a MMF share to buy a stablecoin, the stablecoin issuer would buy T-bills and the MMF would sell T-bills. The net effect on T-bill demand would depend on differences between the stablecoin issuer and the MMF in the share of their assets they hold in T-bills. In practice, as discussed below, there is in fact almost no difference in the propensities of MMFs and stablecoins to back a dollar of issuance with T-bills. Therefore, if all new stablecoin demand came from a reduction in MMF demand, then increases and decreases in demand for T-bills from the two sectors would fully offset, and there would be no new net demand for T-bills. By contrast, if stablecoin growth comes from residents abroad moving money out of foreign currency and into USD stablecoins, it would generate substantial new net demand for T-bills.

It is straightforward to map most of the disaggregated categories in the Citi report to these four buckets. The one exception is a single category Citi describes as primarily about crypto trading and greater institutional use of blockchain. We assume 40 percent of this category represents domestic assets (leaving 60 percent abroad, our fourth category). We base this assumption on Reuter (2025), which shows that 32 percent of USDT and USDC transactions were domestic (leaving 68 percent foreign), and on a 2025 analysis by BCG and McKinsey that suggests that

GENIUS may already be leading to more domestic adoption by businesses. We further assume that the domestic component of growth in stablecoins from this category is split based on the rough holdings of corporations' cash-like assets reported in the US Financial Accounts, which shows 60 percent from bank accounts, 10 percent currency, and 30 percent from MMFs.

Table 1 shows the resulting distribution of sources across the four sectors in Citi's three growth scenarios. The low growth scenario assumes stablecoins make only modest additional inroads into payments and continue to be used largely for crypto trading. As a result, about 85 percent comes from banks (37 percent) or from foreign assets (49 percent). For Citi's medium and high growth scenarios, somewhat larger shares come from domestic currency, held here and abroad, though the compositional differences across the three scenarios are not huge.

c. Treasury holdings by sector

We use balance sheet data on Treasury security holdings from the US Financial Accounts. These data for the first quarter of 2026 indicate that a $1 reduction in domestic bank deposits, domestic (Fed) currency, and domestic MMFs would translate into reductions in T-bill demand of $0.08, $0.64, and $0.79, respectively.[23] T-bills do contribute to foreign central banks' total reserves. Nonetheless, our best guess is that new demand for USD stablecoin holdings abroad would not result in meaningful foreign sales of T-bills, so we use $0.00 as an approximation for that fourth category, assets abroad.

Table 1: Estimated sources of stablecoin growth, by Citi scenario

	LOW	MED	HIGH
Domestic banks	0.37	0.33	0.29
Domestic currency	0.06	0.12	0.13
Domestic MMFs	0.08	0.05	0.09
Foreign assets	0.49	0.50	0.49

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Source: Authors' estimates based on Citi's scenario designs for low growth, medium growth, and high growth for stablecoins.

[23] Current share of assets held in Treasury securities at the Fed is notably below 100 percent because of its purchases of agency mortgage-backed securities (MBS) following the Global Financial Crisis. We would expect this share to rise over time to 100 percent as the agency MBS mature or are sold.

d. Mapping Citi's scenarios of stablecoin growth to new net demand for T-bills

Figure 4 illustrates how these factors can be used to estimate the first-round effects on net T-bill demand of any given stablecoin growth scenario. For example, the left bar shows how each dollar reduction of bank deposits to support stablecoin growth contributes $0.71 in net demand. That value is the gap between banks' $0.08 in T-bill holdings per dollar of assets and the dashed horizontal line at $0.79, which captures the T-bill intensity in each dollar of stablecoins issued.

The figure makes clear that if stablecoin growth comes from bank deposits or assets abroad, it leads to significant new net demand. If stablecoin growth comes from substitution away from currency or MMFs, there is less net new demand.

Finally, combining (i) the total scale of stablecoin growth, (ii) each category's share of stablecoin growth, and (iii) each category's contribution to net T-bill demand per dollar, we can estimate the overall net increase in T-bill demand for each of Citi's three scenarios. The estimates assume that each category's holdings of Treasury securities would be unchanged across the scenarios.

These results also highlight some important aspects of projected stablecoin growth for T-bills and the US fiscal position. First, these numbers, particularly for Citi's medium and high growth cases, are substantial. Second, the substitution effects can be material, between 18 and 23 percent. We emphasize, though, that alternative forecasts or assumptions about the substitution underlying stablecoin growth could yield very different answers. If we assume a larger part of stablecoin growth comes from currency or MMFs, or if we assume central banks in countries that had substantial adoption of USD stablecoins might sell some Treasuries from their reserve accounts, the substitution effects would be larger, and net new demand would be smaller.

Figure 4: Illustration of our calculation of net demand for T-bills

Table 2: Estimated new net T-bill demand, by Citi scenario

	LOW	MED	HIGH
($ Billions)			
Citi growth scenario	900	1,900	4,000
Stablecoin less existing supply	625	1,625	3,725
New demand (.79*stablecoin)	494	1,284	2,943
Net demand after substitution	411	1,050	2,277
(Percent of T-Bills outstanding)			
New demand (.79*stablecoin)	5.7	14.8	34.0
Net demand after substitution	4.7	12.1	26.3
(Percent of T-Bills outstanding plus repo outstanding collateralized by T-Bills)			
New demand (.79*stablecoin)	4.7	12.2	28.0
Net demand after substitution	3.9	10.0	21.0

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Source: Authors' calculations.

In addition, the reallocation from bank deposits to stablecoins highlights that increased demand for stablecoins that improves the financing of the US government would result in some shifting away from bank credit to businesses and households.

There is limited empirical evidence of the effects of stablecoin flows on T-bill rates, but one study suggests that stablecoins have reduced rates so far by a modest amount (Ahmed and Aldasoro 2026). Based on an analysis of four events, a two-standard-deviation move of $3.5 billion into stablecoins could lead to a three to four basis point decline in 90-day T-bill rates over a 10–25 day horizon. The scale of these estimates is similar to that found for repo rates and for MMF spreads.

e. Alternative assumptions to calculate net demand for T-bills

We assume reverse repo—lending cash against Treasury collateral held at a dealer—represents an equivalent amount of T-bill demand. However, this assumption could overestimate the net new demand for T-bills if it counts the Treasury twice. To adjust for potential overcounting, we add to T-bills outstanding an estimate of Treasury repo based on Treasury bills. Treasury repo outstanding is estimated to be $8.7 trillion in daily outstandings.[24] Because data are not available on the maturity of the underlying Treasury collateral in repo transactions, we assume the share of T-bills in the repo market is the same as in the cash market, and estimate there would be $1.83 trillion in Treasury repo secured by T-bills. This share is most likely an overestimate since current practices suggest that most Treasury repo by MMFs is based on securities with longer

[24] See https://www.financialresearch.gov/the-ofr-blog/2025/12/04/sizing-us-repo-market/

maturities.[25] Nonetheless, in the mid and high growth scenarios, new net demand remains substantial. As shown in the last row of table 2, the net T-bill demand growth from stablecoins after substitution as a share of T-bills plus T-bill repo outstanding are 3.9 percent, 10 percent, and 21.7 percent in the low, medium, and high growth scenarios, respectively.

We also assume that sales of Treasury securities by commercial banks, the Fed, and MMFs would be sales of T-bills because, except for MMFs, a split between T-bills and other Treasury securities is not available. However, this is a likely outcome since stablecoin issuers are required to hold short-term T-bills, and this demand could concentrate price increases in T-bills relative to other Treasury securities. Because other T-bill holders do not face the same regulations as stablecoin issuers, they would have an incentive to sell the shorter-maturity securities first.

Finally, Citi's estimates do not assume a change in the velocity of stablecoins from current levels. Some have suggested, however, that if stablecoins were not able to pay interest or rewards, their velocity would increase dramatically, because users would minimize the holding period and switch to interest-bearing assets, like a tokenized MMF. In that case, more transactions could be conducted with fewer stablecoins, and there would not be as much new demand for T-bills. However, tokenized MMFs are an investment vehicle rather than a payment instrument and, as such, intraday liquidity may be offered only at pre-set times and require a discount to NAV. It is more likely that corporate treasurers will rely, as they do today, on a combination of payment instruments to meet daily and high-frequency claims and MMFs for yield for claims that may not come due for days or weeks.

Our online tool can be used to see how the first-round estimates of net T-bill demand change with alternative assumptions.[26] The tool requires three key inputs: (i) the growth in stablecoin value by 2030, (ii) the T-bill intensity of stablecoins and of each of the four sources for stablecoin growth, and (iii) the composition of stablecoin growth across those four sources. With those inputs, the tool reports the implied growth in net demand for T-bills, expressed as a share of baseline forecasts for T-bills in 2030. For example, for Citi's medium growth scenario, if growth were sourced evenly from banks, currency, MMFs, and foreign assets instead of as shown in table 1, because of different views about sources of growth or possible second-round effects, the online tool would show that net new T-bill demand as a share of 2030 levels would be 7.8 percent. Alternate assumptions for the same growth scenario could plausibly increase demand to 15 percent.

3.3 Implications for Treasury's debt maturity and rollover risk

If demand for T-bills by stablecoin issuers were to increase on a sustained basis, it could lower debt interest expenses. But it would also affect the Treasury debt maturity because the new net demand would be concentrated in T-bills. Moreover, it would be concentrated at the shorter end

[25] See Baklanova, V., Kuznits, I., & Tatum, T. (2022). *MMFs in the Treasury market.* US Securities and Exchange Commission, Division of Investment Management. https://www.sec.gov/files/mmfs-treasury-market-090122.pdf
[26] See: www.brentneiman.com/research/liang-neiman-stablecoin-tbill-calculator.html.

of T-bills because GENIUS requires remaining maturities of 93 days or less; the Treasury issues T-bills with maturities of 4 weeks to 52 weeks, and about 70 percent are for maturities of 13 weeks or less.

As shown in figure 5, the current T-bill share of outstanding Treasury debt is almost 22 percent, near the high end outside of periods when Treasury issues bills to fund emergency government spending, such as during the Global Financial Crisis and the COVID-19 pandemic. It has stayed above 20 percent after the rebuild of the Treasury cash balance with Treasury bills after the debt ceiling impasse was resolved in 2023. Still, it is roughly aligned with the Treasury Borrowing Advisory Committee's (TBAC) recently updated recommendation to average around 20 percent over time, up from its previously recommended range of 15-20 percent.[27]

For debt maturity decisions, the Treasury makes use of models that evaluate the realized risk-return tradeoff for Treasury securities across the maturity spectrum (Teichholtz 2025; Belton et al. 2018). On average, T-bills would have lower interest costs than 10-year Treasury securities because term premiums are positive on average, but a greater T-bill share would lead to higher variance in debt service costs as T-bills roll over more quickly. To tap into the preferences of many types of investors with differing preferences and regulations, the Treasury issues across the curve with greater shares in maturities that have better risk-return characteristics.

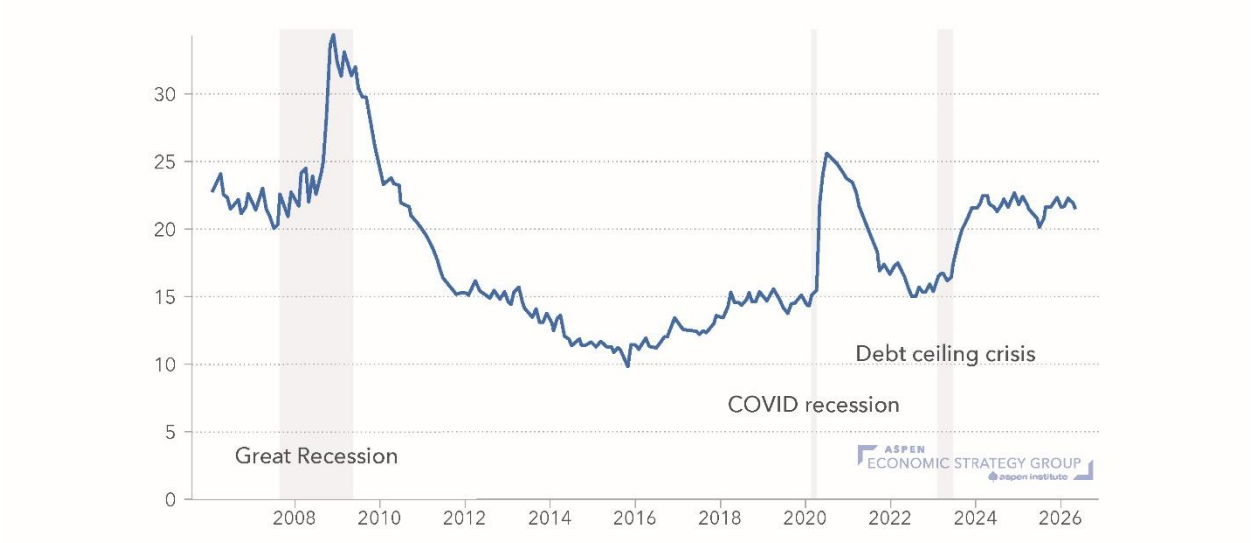
The Treasury also considers the unique role that T-bills serve as a low-risk, highly liquid asset to meet regulatory liquidity requirements for many financial firms and to absorb shocks, with deviations above recommended ranges expected when the Treasury needs to issue bills quickly to fund emergency spending. As the T-bills mature, the Treasury can replace them with longer-term coupon securities following its practice of "regular and predictable" to promote investor reception and market liquidity.

Estimates of new demand for T-bills after accounting for substitution could be a significant addition to the T-bill share, an increase of 21 to 26 percent in the high growth scenario. Increases in the T-bill share of this magnitude could require the Treasury to maintain a higher TGA to cover the higher variability in debt service costs in the event no new funds were to come in.

More importantly, however, more frequent auctions raise rollover risk, which may be undesirable in the current situation with serious concerns about longer-run fiscal sustainability. Indeed, those concerned about fiscal sustainability argue that the Treasury should issue longer-term securities to "buy insurance" for adequate funding and reduce the possibility that an auction would require a very high interest rate to close.

[27] See updated recommendation by TBAC at https://home.treasury.gov/news/press-releases/jy2513. See also TBAC's discussion of increasing the optimal T-bill share to average 20 percent, up from its previously recommended range of 15–20 percent, at https://home.treasury.gov/system/files/221/TBACCharge1Q32024.pdf.

Figure 5: T-bill share of marketable Treasury debt outstanding (percent)



Source: Bureau of the Fiscal Service, US Department of the Treasury

3.4 The seigniorage offset

The fiscal implications of stablecoin growth also include a loss of seigniorage revenues. When stablecoins substitute for Federal reserve currency—paper dollars circulating outside the banking system—the issuer earns the yield on the reserve assets backing those stablecoins, rather than the Federal Reserve and, by extension, the Treasury. The Federal Reserve has issued $2.4 trillion in currency, earning a return on the Treasury securities purchased with those liabilities that is ultimately remitted to the Treasury. When a stablecoin replaces a dollar bill, that remittance flows instead to the stablecoin issuer.

The Fed does not publish seigniorage figures. But for context, Fed remittances to the Treasury were $76 billion in 2022 before falling to zero in 2023. Remittances have remained at zero since 2023. An estimated seigniorage figure for 2025 is $84 billion, equal to $2.4 trillion in currency times an assumed return on its portfolio of Treasury and agency debt of about 3.5 percent in recent years.

In the scenarios above, stablecoin growth includes a reallocation away from holding physical US currency, mainly by foreign holders. We can approximate the annual loss of seigniorage by multiplying the amount that US currency is projected to fall by 2030 because of the growth of stablecoins by the average interest rate on Treasury debt, which currently is 3.35 percent. In the scenario of low growth for stablecoins, currency is projected to fall by only a small amount, and the decline in seigniorage would be only $1.3 billion in 2030, a very small amount that year, although it would occur each year thereafter if stablecoin supply were to continue to hold at $900 billion. In contrast, the decline in seigniorage in the high growth scenario would be $17 billion in 2030 and in each year thereafter. While scenarios in which the decline in currency is much larger

are plausible, surveys show that while US consumers use cash less frequently for transactions, most consumers hold cash for backup and still value cash as a store of value.[28]

3.5 Implications for bank deposits and credit

As noted above, the calculation of net new demand for Treasury bills illustrates that some of the new demand is sourced from an outflow of transactions deposits from domestic banks. Indeed, banks argue that if households and businesses shift funds from bank deposits into stablecoins, banks would face higher funding costs, lower payment revenues, and reduced capacity to extend credit.

The Independent Community Bankers of America (ICBA) has raised these concerns and cautioned that local communities will lose critical access to credit. It estimates, citing research by Nigrinis (2025) and Whited, Wu, and Xiao (2023), that if stablecoins were permitted to pay interest and grew to $5 trillion, community banks would lose $1.3 trillion of their $4.8 trillion of deposits. Such a large contraction in community bank deposits, they estimate, would lead to a reduction of $850 billion in credit and small businesses with financing needs that are too small to get the attention of large banks or capital markets will be harmed most. The ICBA paper cites a range of empirical estimates of loan elasticities to deposits of 0.6 to 1.26. They also estimate that the stablecoin market would be much less of a threat if no interest were paid on stablecoins, in which case they expect the market to grow to $1.2 trillion instead of $5 trillion.

However, it is not straightforward to quantify the relationship between stablecoin growth and deposit outflows. After all, some of the newly-minted stablecoins will be backed by deposits (Wang 2025). For example, in an extreme case where stablecoins were backed entirely with bank deposits (which is permitted under GENIUS), stablecoin growth would not have any impact on the total amount of bank deposits though the distribution of deposits might shift. Deposits could shrink at banks lacking stablecoin services and increase at banks providing on and off ramps and stablecoin custody services. At the other end of the spectrum, support for holding bank deposits could be weakened if stablecoin issuers are granted direct access to the Federal Reserve's payment rails to provide final settlement themselves, including if that access is via the "skinny" accounts discussed above. Over time, full access and interest on balances could plausibly lead issuers to entirely bypass the banking system for fiat payment and settlement services and hold even fewer of their reserves in bank deposits as a result.

On the projected decline in bank credit to small businesses, aggregate credit provided to businesses and households in the US comes from a diverse set of firms and capital markets. Some banks that lose deposits can securitize loans they originate, and other nonbank financial intermediaries can extend credit when profitable lending opportunities exist. The concern about reduced credit availability, however, is more relevant for smaller firms where relationship

[28] https://www.frbservices.org/binaries/content/assets/crsocms/news/research/2026-diary-consumer-payments-choice.pdf.

lending genuinely depends on information gathered by local lenders and may not be easily replicated through securitization or other capital markets. A potential offset, however, is that modernizing payments, which helps small businesses to better manage cash flow, reduce fees, and improve access to credit, could create significant gains, though these gains may take some time to achieve.

3.6 Recommendations

- Given the potentially sizable increase in T-bill demand if stablecoin adoption were to increase substantially, the Treasury and TBAC should review whether or not new demand from stablecoins would be stable or volatile, and how to incorporate this new demand into their models of Treasury debt issuance to determine the optimal debt maturity structure. A larger T-bill share increases the variability of debt service costs and rollover risks when concerns about fiscal sustainability are elevated. These higher risks could argue for lengthening the maturity of coupon securities.
- Policymakers could act to reduce the risk of a sharp decline in local business credit by slowing the conversion of deposits to stablecoins. In the near term, we recommend enforcing restrictions on the payment of interest, which would not only produce this benefit in terms of deposits and credit, but would also allow time to assess the impact of stablecoin usage on the integrity of the payment system. These restrictions could be loosened over time as stablecoins demonstrate their financial and operational resilience and ability to implement adequate AML/CFT safeguards.

4. Should other countries care about USD stablecoins?

4.1 Payment innovations in other jurisdictions

Many countries have been investing for years in developing new payments technologies and in designing regulations and technology to minimize risks associated with them. The passage of GENIUS intensified some of these efforts abroad. Fast payment systems, as discussed above, have achieved almost universal adoption in Brazil and India, and some regions have made progress linking FPSs across countries. Other jurisdictions are exploring, or in some cases have already developed, central bank digital currencies, including China and Europe.

Some, including the EU, Hong Kong, Japan, Singapore, UAE, and the UK, have their own frameworks and regulations for stablecoins. Regulations governing how closely stablecoins as private money are tied to commercial banks or the central bank vary across countries and regions. In Europe, under the EU's Markets in Crypto Assets (MiCA) framework, stablecoins are required to hold a minimum of 30 percent of reserve assets in bank deposits (and 60 percent for large "significant" issuers of stablecoins). In Japan, stablecoins are required to be backed by at least 50 percent in bank deposits. The minimum requirements were designed principally to prevent aggregate deposit flight. In the UK, the proposed regime allows non-systemic stablecoin issuers to hold bank deposits, but does not allow systemic issuers to do so. Moreover, systemic

issuers would be required to hold 30 percent of their reserves in unremunerated central bank deposits. In contrast, in the US, there are no minimum requirements for bank deposits. and no direct access to the central bank.

4.2 Risk to other countries' monetary sovereignty from USD stablecoins

These and other jurisdictions may still experience significant USD stablecoin penetration for domestic use. In some developing countries and emerging markets, USD stablecoins offer protection against inflation that can also be used to transact locally. Estimates suggest large quantities of $100 bills circulate abroad in part given they offer these same benefits, though they are far more cumbersome to store. At year-end 2022, 82 percent of the value of US currency was in $100 bills, and estimates suggest 50 to 60 percent of the total are held abroad (Rogoff 2025).

However, foreign governments may aim to limit the use of USD stablecoins in their economies. They might worry that, if the scale of domestic use of USD stablecoins gets too large, it could erode their monetary sovereignty, including a weakening of monetary policy transmission and a loss of seigniorage revenues. This concern may not be limited to lower-income or high-inflation economies. MiCA specifies usage thresholds that trigger restrictions on further issuance of stablecoins that are not pegged to the euro.

4.3 Inconsistent cross-border rules

Other countries are concerned about the lack of consistency in regulations of payment stablecoins that operate across multiple jurisdictions. The FSB and UK have expressed serious concerns about looser rules for redemptions of USD stablecoins in the United States than in other jurisdictions that could lead investors to run and redeem outside the US, transmitting stresses to markets with stronger user protections.

4.4 Recommendations

- US policymakers should engage foreign authorities on their reasonable concerns about USD stablecoin use in their domestic economies. They should seek ways to minimize negative spillovers while preserving the benefits gained by foreign use of USD stablecoins.
- Design and regulatory choices on USD stablecoins should be made with the assumption that many foreign digital payment initiatives will continue, regardless of what happens in the US. Discouraging innovation in the US and preserving the status quo in global payment systems and technologies is not an option.[29]

[29] For example, one might believe that stablecoin use, in general, is harmful to efforts to combat illicit finance. Nonetheless, one might also support promotion of USD stablecoins on the basis that maintaining the status quo is not feasible, and well-regulated USD stablecoin use will be least harmful to illicit finance efforts.

Summary and looking ahead

In summary, greater USD stablecoin adoption could create value on net for the US in the near-to-medium term. It could improve the efficiency of domestic and cross-border payments, corporate cash management, and institutional settlement and collateral management practices, including by increasing competition and prompting other innovations that bring these benefits. It also could maintain or enhance the role of the dollar in global financial markets and support its value, by ensuring there is a dollar-based digital payment instrument as global payment systems become increasingly digital. However, stablecoins do not yet have sufficient protections for users and against illicit finance, and any additional costs required to add these protections could reduce the net value they create. Greater stablecoin growth could result in a substantial increase in the demand for T-bills, which serve as reserve assets, though some growth could be a substitution from funding credit to small businesses. In addition, the concentration of demand for short maturity Treasury securities carries some risk for higher variability in Treasury debt service costs and greater rollover risk.

Over a longer horizon, greater use of stablecoins that leads to material substitution away from money that is not settled by the central bank could create more fundamental risks to the structure of the financial system. The "wildcat" banking period in the US in the 1800s—when banks issued their own demand notes without ways to ensure convertibility, leading to inefficient commerce, bank failures, and system collapses—illustrates the risks. This episode was put to an end by the National Bank Act of 1863 which established a uniform national currency. While current projections for stablecoin growth could complicate monetary policy transmission through a credit or interest rate channel, neither are a real threat at this time. But significant growth over time could create risks to monetary control since stablecoins are money offered by private firms backed by T-bills and private assets, not by risk-free money issued by the central bank. This growth could raise important issues for the Federal Reserve and Congress as to how to accommodate private money that is not protected by the FDIC deposit insurance, Federal Reserve liquidity, and strong financial prudential regulations, which are the foundations in the current system for trust and confidence in money.

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