

# How the 2008 Fed Money Printer Becomes a Stablecoin Machine Under the CLARITY Act

IOER, Dodd-Frank, \$3.3 Trillion in Risk-Free Bank Profits, and the Stablecoin Reserve Playbook That Copies It -- Q2 2026

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In October 2008, the Federal Reserve began paying banks interest on the reserves they hold at the Fed -- a policy called Interest on Excess Reserves, or IOER. Congress authorized this through the Emergency Economic Stabilization Act of 2008, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 made it permanent. The mechanics were straightforward: banks deposit their excess cash at the Federal Reserve, the Fed pays them the IOER rate on those deposits, and banks earn guaranteed risk-free interest income without lending a single dollar to any business or household. Between 2022 and 2024, with the federal funds rate at its highest level in 15 years, the Federal Reserve paid commercial banks approximately \$280 billion in IOER interest income -- \$280 billion in guaranteed risk-free returns on reserves that cost the banks nothing to acquire and required no lending, no underwriting, and no risk. Critics called it a money printer for banks. Defenders called it monetary policy implementation. Both were correct. Now, under the CLARITY Act targeting a July 4, 2026 signing, banks that enter the stablecoin market get access to a structurally identical mechanism. Every GENIUS Act-compliant stablecoin dollar requires approximately one dollar in US Treasury bills as reserve assets. Treasury bills yield approximately 4.3 to 4.5% annually at current rates. The stablecoin issuer collects that Treasury yield on reserves that cost them nothing to acquire -- because the users who hold stablecoins are providing the capital for free in exchange for a dollar-pegged payment instrument. The 2008 IOER playbook and the 2026 stablecoin reserve playbook are architecturally identical: hold risk-free government assets funded by someone else, collect the yield, keep the spread. The CLARITY Act is how banks cash it in.

## 01 -- THE 2008 IOER PLAYBOOK: HOW BANKS LEARNED TO EARN WITHOUT LENDING

To understand why the CLARITY Act's stablecoin reserve framework is so commercially attractive to banks, it is necessary to understand what the Federal Reserve created in October 2008 and permanently institutionalized through the Dodd-Frank Act of 2010.

Before October 2008, the Federal Reserve did not pay interest on the reserves that commercial banks held at the Fed. Banks were required to hold a minimum level of reserves to satisfy regulatory requirements, but they held no more than the minimum -- because holding cash at the Federal Reserve earned zero return, while deploying that cash as loans earned the prevailing interest rate. Excess reserves -- cash held at the Fed above the regulatory minimum -- were functionally worthless. Banks had every incentive to lend excess reserves out rather than leave them idle at the central bank.

The 2008 financial crisis changed this calculus. The Federal Reserve expanded its balance sheet dramatically to stabilize the financial system, pumping trillions of dollars of reserves into the banking system through emergency lending facilities. This created a problem: banks held far more reserves than the regulatory minimum, but with credit markets frozen and loan demand collapsing, they could not deploy those reserves productively through lending. The reserves sat idle.

The Fed's solution was IOER -- Interest on Excess Reserves. By paying banks a guaranteed rate of return on the reserves they held at the Fed, the central bank gave banks a risk-free alternative to lending. Banks could hold reserves at the Fed, earn IOER, and generate income without taking on any credit risk, any counterparty risk, or any market risk. The Emergency Economic Stabilization Act of 2008 authorized the payment. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 made the IOER framework a permanent feature of the US banking system.

The financial consequences of the IOER framework became most visible during the Federal Reserve's 2022 to 2024 rate-hiking cycle. With the federal funds rate rising from near zero to 5.25% to 5.5%, the IOER rate -- now consolidated into the single Interest on Reserve Balances rate, or IORB -- rose in parallel. By 2023, the Federal Reserve was paying approximately \$170 billion annually to commercial banks in IORB interest. Over the 2022 to 2024 period, cumulative IORB payments to commercial banks exceeded approximately \$280 billion. The Federal Reserve itself recorded operating losses in 2023 and 2024 because IORB payments to banks exceeded the interest income the Fed earned on its own asset portfolio.

***IOER MECHANICS: Congress authorized in 2008. Dodd-Frank made it permanent in 2010. Banks deposit excess cash at the Fed. Fed pays guaranteed rate on those deposits. Banks earn risk-free income without lending. 2022-2024: Fed paid commercial banks approximately \$280 billion in IORB. Zero credit risk. Zero counterparty risk. Pure spread income.***

## 02 -- THE STABLECOIN RESERVE PLAYBOOK: THE SAME MECHANISM ON CRYPTO RAILS

The GENIUS Act stablecoin reserve framework and the Dodd-Frank IOER framework are architecturally identical in the way that matters most for bank profitability: both create a mechanism by which a bank collects interest income on government assets funded by someone else's capital at zero cost to the bank.

Under the IOER framework, the capital funding the bank's reserve position came from the Federal Reserve's emergency asset purchases -- the quantitative easing programs that injected trillions of dollars of reserves into the banking system. Banks did not raise capital to fund their reserve positions. The Fed created the reserves and deposited them in bank accounts at the central bank. The banks then earned interest on those Fed-created reserves. The capital cost to the bank was zero. The yield was the IOER rate. The spread was pure profit.

Under the GENIUS Act stablecoin reserve framework, the capital funding the bank's reserve position comes from the stablecoin users -- the 316 billion dollar global population of USDC and USDT holders who provide dollar-denominated capital to stablecoin issuers in exchange for a dollar-pegged payment instrument. Stablecoin users do not demand interest on their holdings -- the GENIUS Act prohibits direct

yield payment to stablecoin token holders. The stablecoin issuer receives their capital, invests it in US Treasury bills earning 4.3 to 4.5% annually, and keeps the yield. The capital cost to the stablecoin issuer is zero. The yield is the Treasury bill rate. The spread is pure profit.

Tether's financials confirm this mechanism in production. Tether holds approximately \$141 billion in US Treasury securities as USDT reserve assets. At current Treasury bill rates of approximately 4.3 to 4.5%, Tether earns approximately \$6 billion in annual interest income on those reserves. The capital funding those Treasury positions came from USDT holders who deposited dollars in exchange for stablecoin tokens. The USDT holders earn zero return on their holdings. Tether earns \$6 billion annually. The mechanism is structurally identical to a bank earning IOER on Fed-funded reserves.

Circle reported \$1.66 billion in revenue for 2024, with \$1.61 billion -- 97% of total revenue -- coming from interest income on USDC reserve assets. Circle's revenue is almost entirely the Treasury bill yield earned on reserves funded by USDC holders who earn nothing on their stablecoin balances. The business model is not a financial services operation in the traditional sense. It is a yield capture machine that operates by accepting zero-cost capital from stablecoin users and deploying it into risk-free government securities.

### 03 -- WHY BANKS WANT IN AND WHAT THE CLARITY ACT ENABLES

The stablecoin reserve yield capture mechanism is currently dominated by Tether and Circle -- companies that are not banks, do not hold OCC charters, and have operated in a regulatory environment that has been ambiguous about whether their activities are legal, compliant, or sustainable under future regulatory frameworks. The CLARITY Act changes this environment by creating a clear statutory framework that explicitly authorizes banks to issue GENIUS Act-compliant stablecoins and capture the associated reserve yield.

For a major US bank, the stablecoin reserve yield capture opportunity is commercially attractive for reasons that go beyond the raw yield numbers. Banks already hold US Treasury securities as tier-one capital and liquidity buffer assets. They already have the custody infrastructure, the Treasury operations teams, and the regulatory relationships required to manage large Treasury bill portfolios. The marginal cost of adding stablecoin reserve management to an existing Treasury operation is far lower for a bank than for a startup stablecoin issuer building that infrastructure from scratch.

The CLARITY Act's expedited registration framework for digital commodity brokers and dealers, combined with the GENIUS Act's stablecoin issuance framework and the OCC national trust bank charter pathway, creates a complete regulatory stack that allows a bank to issue a GENIUS Act-compliant stablecoin, hold the reserve assets in its existing Treasury portfolio, earn the Treasury bill yield on those reserves, and offer the stablecoin to its existing customer base through its existing distribution channels. The 78 million Chase customers who can now buy Bitcoin through the Chase and Coinbase partnership are the same distribution channel through which JPMorgan could offer JPMD -- its stablecoin already operating on Base -- at scale.

The banking lobby spent \$56.7 million opposing the CLARITY Act's stablecoin yield provisions -- the provisions that would allow non-bank stablecoin issuers like Coinbase to pay yield to stablecoin holders

through third-party reward programs. The banking lobby's opposition to stablecoin yield for non-bank issuers is the mirror image of the banking lobby's support for the GENIUS Act's stablecoin framework overall. Banks want the stablecoin reserve yield capture mechanism. They do not want their non-bank competitors to offer the same yield to end users that banks earn on their stablecoin reserves. The lobbying position is not about consumer protection. It is about capturing the stablecoin yield spread for banks while preventing non-bank competitors from sharing that yield with the consumers who fund the reserves.

***STABLECOIN YIELD MATH: Stablecoin user deposits \$1. Issuer buys \$1 Treasury bill at 4.3%. User earns zero. Issuer earns 4.3%. Tether earns \$6B annually this way on \$141B in reserves. Circle earns 97% of its \$1.66B revenue from this mechanism. The CLARITY Act lets every US bank run the same playbook.***

## 04 -- THE NUMBERS: HOW BIG THE STABLECOIN YIELD OPPORTUNITY IS FOR BANKS

The scale of the stablecoin reserve yield opportunity for banks that enter the market is quantifiable from the existing data and Standard Chartered's published projections for the stablecoin market's growth trajectory.

The stablecoin market currently holds approximately \$316 billion in outstanding supply, with approximately \$250 to \$280 billion of that supply backed by US Treasury bills and short-term government securities earning approximately 4.3 to 4.5% annually. The total annual yield income generated by the stablecoin industry's reserve portfolios is approximately \$10.75 to \$12.6 billion at current rates and current market size. Tether accounts for approximately \$6 billion of that total. Circle accounts for approximately \$3.5 billion. The remaining \$1.25 to \$3.1 billion is distributed among smaller stablecoin issuers including Fidelity's FIDD, Paxos, and various GENIUS Act-compliant entrants.

Standard Chartered's February 2026 projection that the stablecoin market will reach \$2 trillion by 2028 implies total reserve assets of approximately \$1.6 to \$2 trillion earning Treasury bill yields. At current Treasury bill rates of approximately 4.3 to 4.5%, a \$2 trillion stablecoin market generates approximately \$72 to \$90 billion annually in reserve yield income for stablecoin issuers. At the 5-year average Treasury bill rate of approximately 3%, the same \$2 trillion market generates approximately \$60 billion annually. The yield income from stablecoin reserves at \$2 trillion market size is comparable to the combined annual profit of the 10 largest US commercial banks.

The bank that captures the largest share of stablecoin issuance in the post-CLARITY Act environment captures a proportionate share of this yield income. JPMorgan's existing JPMD stablecoin infrastructure on Base, its 78 million retail customer distribution channel, and its \$3 trillion cumulative Kinexys settlement volume position it as the bank with the clearest pathway to large-scale stablecoin reserve yield capture. But every bank that obtains an OCC national trust bank charter and issues a GENIUS Act-compliant stablecoin participates in the same mechanism -- zero-cost capital from stablecoin users, invested in risk-free Treasury bills, yielding guaranteed spread income with no credit risk.

## 05 -- WHAT THIS MEANS FOR CRYPTO INVESTORS: THE STRUCTURAL TAILWIND

The bank stablecoin reserve yield capture thesis has a specific and durable investment implication for crypto investors that extends beyond the stablecoin issuer category itself.

Every dollar of stablecoin that a bank issues and holds in Treasury bill reserves is a dollar of stablecoin circulating in the crypto ecosystem. Bank-issued stablecoins -- JPMD on Base, Circle's USDC under GENIUS Act framework, Fidelity's FIDD, the 11 OCC charter applicants' future stablecoin products -- increase the total stablecoin supply circulating on public blockchains. Increased stablecoin supply means increased settlement volume on the blockchains that carry those stablecoins. Ethereum, Base, Solana, and the XRP Ledger all benefit from increased stablecoin transaction volume through higher fee revenue and increased network utility.

The bank entry into stablecoin issuance also creates the demand for the tokenized Treasury infrastructure that backs those stablecoins. BlackRock's BUIDL, JPMorgan's JLTXX, Fidelity's FIDD, and the broader tokenized money market fund ecosystem are the reserve asset vehicles that bank stablecoin issuers will use to hold and manage their Treasury reserve portfolios. Every dollar of bank-issued stablecoin is a dollar of demand for tokenized Treasury products -- which is why BlackRock filed its BRSRV product specifically designed for stablecoin reserve management in its May 8, 2026 SEC filings.

The structural tailwind for crypto from bank stablecoin adoption is not speculative. It is mechanical: banks enter stablecoin issuance to capture the IOER-equivalent yield on stablecoin reserves. Their issuance increases stablecoin supply on public blockchains. Increased stablecoin supply drives settlement volume. Settlement volume drives fee revenue for blockchain infrastructure. The bank money printer that Dodd-Frank created in 2010 becomes a blockchain adoption engine when it migrates to stablecoin rails in 2026.

## 06 -- CONCLUSION: THE PLAYBOOK WAS WRITTEN IN 2008. THE GAME STARTS IN 2026.

The Federal Reserve created the IOER framework in 2008 because the banking system needed a mechanism to earn risk-free income on capital that could not be deployed productively through lending during a financial crisis. Dodd-Frank made that mechanism permanent in 2010. For 16 years, banks have earned guaranteed spread income on Fed-funded reserves -- a mechanism that paid them approximately \$280 billion between 2022 and 2024 alone while the central bank recorded operating losses.

The stablecoin reserve yield mechanism is the same playbook applied to a different pool of zero-cost capital. Instead of Fed-created reserves, the capital comes from global stablecoin users who provide dollar-denominated capital in exchange for a payment instrument and earn nothing on their holdings. Instead of the IOER rate paid by the Federal Reserve, the yield comes from US Treasury bills purchased with those user-provided reserves. The spread -- the difference between what stablecoin

users earn (zero) and what stablecoin issuers earn (4.3 to 4.5% on Treasury bills) -- is the same structural profit mechanism that IOER created for banks in 2008.

The CLARITY Act and the GENIUS Act together are the regulatory framework that allows US banks to formally enter the stablecoin market, issue GENIUS Act-compliant stablecoins, hold the reserve assets in their existing Treasury portfolios, and capture the yield spread that Tether and Circle have been earning for years. For banks, this is not a new business model. It is the IOER model with a different funding source and a broader distribution channel. For crypto investors, it is the most powerful institutional adoption catalyst since the Bitcoin ETF approvals of January 2024 -- because bank entry into stablecoin issuance is not a bet on crypto price appreciation. It is a guaranteed yield capture mechanism that makes crypto infrastructure commercially indispensable to the most important financial institutions in America.

***The 2008 Fed gave banks a risk-free money printer called IOER. Dodd-Frank made it permanent. The GENIUS Act created the same mechanism for stablecoins. The CLARITY Act lets banks run it at scale. Tether earns \$6B annually this way. Circle earns 97% of revenue this way. Every US bank is about to do the same thing.***