

Crypto Is Officially Funding America's National Debt -- and Washington Planned It

GENIUS Act. \$109 Billion T-Bills Purchased. \$316 Billion Stablecoin Market. Bessent Called It an Important Feature of Financing the US. -- Q2 2026

Between July 18 and November 2025 -- the four months following the signing of the GENIUS Act -- the stablecoin market cap jumped from approximately \$200 billion to \$309 billion. To comply with the GENIUS Act's mandatory reserve requirements, stablecoin issuers purchased approximately \$109 billion in US Treasury bills during that four-month window. One hundred and nine billion dollars in new Treasury demand, created by a federal law requiring stablecoin issuers to back every token with dollar-equivalent reserves in US Treasury securities. Treasury Secretary Scott Bessent described the GENIUS Act in his official statement after its passage as an important feature of financing the US. Brookings Institution researchers published in March 2026 that the GENIUS Act's growth would lead to a sharp increase in the demand for Treasury bills as stablecoin reserves -- and that Bessent had suggested this could reduce the government's debt service costs and improve its fiscal position. The Federal Reserve published a formal FEDS Notes paper in April 2026 -- titled Payment Stablecoins and Cross-Border Payments -- documenting the mechanics by which stablecoin reserves create structured demand for US government debt. The White House published projections of stablecoin market growth to \$2 to \$4 trillion by 2028 to 2030, which would imply stablecoin issuers holding \$2 to \$4 trillion in US Treasury securities as reserve assets. The US national debt currently exceeds \$36 trillion. Annual interest payments on that debt exceeded \$1 trillion for the first time in fiscal year 2025. The Treasury Department issues approximately \$8 to \$10 trillion in new Treasury bills, notes, and bonds annually to roll over maturing debt and fund new borrowing. Every dollar of stablecoin market growth is a dollar of mandatory Treasury demand -- created not by interest rates, not by monetary policy, but by a federal law requiring every stablecoin issuer to hold US government debt as backing. Washington did not stumble into this arrangement. Washington planned it.

01 -- THE GENIUS ACT RESERVE REQUIREMENT: THE MECHANISM THAT CREATED MANDATORY TREASURY DEMAND

The GENIUS Act's reserve requirement is the single most consequential provision in the law for understanding how stablecoin growth translates into US Treasury demand. Understanding the precise mechanics of the reserve requirement -- which types of assets qualify, what maturity restrictions apply, and how the reserve structure creates structured government debt demand -- is essential for quantifying the Treasury impact at different stablecoin market sizes.

The GENIUS Act requires every permitted payment stablecoin issuer to maintain reserves equal to at least 100% of the outstanding value of its stablecoins in qualifying liquid assets. The qualifying liquid

asset categories are specifically defined and deliberately narrow. The primary qualifying assets are: US coins and currency, funds standing to the credit of an account at a Federal Reserve Bank, demand deposits at insured depository institutions, and US Treasury bills with a maturity of 93 days or less. The official Congress.gov GENIUS Act text confirms that qualifying repo agreements -- where the stablecoin issuer acts as the cash lender with overnight maturity -- must be backed by Treasury bills with a maturity of 93 days or less.

The exclusion of corporate bonds, mortgage-backed securities, and bank deposits above certain thresholds from the qualifying reserve asset list is the provision that creates the structural Treasury demand dynamic. Before the GENIUS Act, stablecoin issuers could hold any asset they chose as reserves -- Tether notoriously held a mixture of commercial paper, corporate bonds, and other assets alongside Treasury bills in its early reserve portfolio. The GENIUS Act eliminates that discretion by specifying that qualifying reserves must be in narrow, high-quality, liquid assets of which US Treasury bills are the primary investable instrument.

The maturity restriction -- Treasury bills with a maturity of 93 days or less -- creates a structural concentration of stablecoin reserve demand in the short-end of the Treasury yield curve. T-bills are the Treasury instruments with the highest turnover -- they mature quickly, must be rolled over frequently, and represent the primary mechanism through which the Treasury manages short-term funding. When stablecoin issuers collectively hold hundreds of billions of dollars in T-bills as mandatory reserves, they become the marginal buyers in every T-bill auction -- the entities whose demand determines whether the Treasury can roll its short-term debt at favorable rates.

GENIUS ACT RESERVE MECHANICS: 100 percent backing required for every stablecoin dollar. Qualifying assets: Federal Reserve accounts, demand deposits, and US Treasury bills with 93 days or less maturity. Corporate bonds excluded. Mortgage-backed securities excluded. Every dollar of stablecoin market growth creates one dollar of mandatory T-bill demand. \$109B purchased in the four months after the GENIUS Act was signed.

02 -- THE NUMBERS: FROM \$109 BILLION TO \$4 TRILLION

The scale of the stablecoin Treasury demand story across different market size scenarios is the most important quantitative analysis in this report -- because the numbers define the investment thesis not as speculation but as a mechanical consequence of the GENIUS Act's reserve requirements applied to projected market growth.

The baseline is current: the stablecoin market cap as of Q2 2026 stands at approximately \$316 billion. Tether holds approximately \$141 billion in US Treasury securities as USDT reserve assets, generating approximately \$6 billion in annual interest income. Circle holds approximately \$77 billion in USDC reserve assets, generating approximately \$3.5 billion in annual interest income -- 97% of Circle's \$1.66 billion in 2024 revenue came from this mechanism, with the remaining portion generated from higher-yield reserve assets above the minimum T-bill requirement. Combined, Tether and Circle hold approximately \$218 billion in US Treasury securities as stablecoin reserve assets -- representing approximately 2.5% of the \$8.6 trillion in outstanding US Treasury bills.

The S&P; Global projection cited in MEXC's analysis indicated stablecoin issuers could add \$50 to \$55 billion in T-bill purchases by year-end 2025. The actual outcome -- \$109 billion in T-bill purchases in the four months between the GENIUS Act signing and November 2025 -- significantly exceeded the S&P; Global projection, reflecting the faster-than-anticipated market growth that the GENIUS Act's regulatory clarity catalyzed. JPMorgan projected a more conservative \$700 billion total stablecoin market size increase, citing legal restrictions on interest-paying stablecoins and global pushback. Standard Chartered projected the stablecoin market reaching \$2 trillion by 2028.

The White House projection of \$2 to \$4 trillion in stablecoin market cap by 2028 to 2030 is the upper end of the institutional projection range and the one that Bessent cited in describing the GENIUS Act's fiscal significance. At \$2 trillion in stablecoin market cap, stablecoin issuers would hold approximately \$1.6 to \$2 trillion in US Treasury bills as reserve assets -- representing approximately 18 to 23% of the current outstanding T-bill market. At \$4 trillion in stablecoin market cap, stablecoin issuers would hold \$3.2 to \$4 trillion in US Treasury bills -- comparable in scale to the Federal Reserve's own Treasury holdings at the peak of quantitative easing.

The Brookings Institution analysis confirmed that this growth would likely reduce the government's debt service costs -- because stablecoin issuers holding T-bills as mandatory reserves are price-insensitive buyers who must roll their T-bill positions continuously regardless of yield. Unlike sovereign wealth funds, central banks, or institutional investors who allocate to Treasuries based on yield attractiveness and portfolio optimization, stablecoin issuers hold T-bills because the law requires it. This mandatory demand creates a structural floor under T-bill prices and a structural ceiling over T-bill yields in the short end of the curve.

03 -- WHY BESSENT CALLED IT AN IMPORTANT FEATURE OF FINANCING THE US

Treasury Secretary Scott Bessent's description of the GENIUS Act as an important feature of financing the US is the most candid statement any senior US government official has made about the fiscal strategy embedded in the stablecoin reserve framework. It deserves analysis that goes beyond the headline quote to understand the full fiscal architecture that the GENIUS Act creates.

The United States federal government currently faces an annual borrowing requirement of approximately \$8 to \$10 trillion -- the combination of new deficit spending and the rollover of maturing existing debt. Interest payments on the national debt exceeded \$1 trillion for the first time in fiscal year 2025 -- a milestone that the Congressional Budget Office had projected for 2030 but that arrived five years early due to the Federal Reserve's rate-hiking cycle. The Treasury's ability to finance this borrowing requirement at reasonable rates depends on maintaining a large, diverse, and price-insensitive base of Treasury buyers.

Historically, the primary buyers of US Treasury securities have been: the Federal Reserve through open market operations and quantitative easing, foreign central banks and sovereign wealth funds through reserve accumulation, domestic institutional investors including money market funds, pension funds, and insurance companies, and retail investors through Treasury Direct. Each of these buyer categories has a price-sensitivity profile -- a yield level at which their demand becomes elastic. The Federal

Reserve's purchases are policy-driven. Foreign central bank demand is geopolitically influenced. Institutional and retail demand responds to relative yield attractiveness.

Stablecoin issuers represent a qualitatively different buyer category: mandatory, legally required, price-insensitive purchasers who must hold T-bills as reserves regardless of yield. A GENIUS Act-compliant stablecoin issuer with \$100 billion in outstanding stablecoins must hold \$100 billion in qualifying reserve assets -- predominantly T-bills -- whether the T-bill yield is 4.5% or 0.5%. The demand does not respond to yield signals in the same way that institutional demand does. It responds to stablecoin market growth -- which is driven by payment adoption, retail demand, and institutional use -- not by Treasury market conditions.

Bessent's characterization of this mandatory demand as an important feature of financing the US reflects the Treasury's recognition that the GENIUS Act created a new buyer category for US government debt that is structurally different from all previous buyer categories in its price insensitivity and growth trajectory. Every new stablecoin dollar issued under the GENIUS Act is a new dollar of mandatory T-bill demand. The growth of the stablecoin market is simultaneously the growth of the private sector's adoption of digital payments and the growth of structural demand for US government debt.

BESSENT FISCAL LOGIC: US annual borrowing requirement \$8-10 trillion. Interest payments exceeded \$1 trillion FY2025. Traditional T-bill buyers are price-sensitive. Stablecoin issuers under the GENIUS Act are mandatory price-insensitive buyers. \$316B stablecoin market equals \$316B in mandatory Treasury demand floor. White House \$2-4T projection equals \$2-4T in mandatory Treasury demand. Bessent: important feature of financing the US.

04 -- THE REVERSE REPO CHANNEL: HOW STABLECOINS FUND LONGER-DATED TREASURIES TOO

The Brookings Institution analysis identified a mechanism by which GENIUS Act stablecoin reserves could support demand not just for short-term Treasury bills but potentially for longer-dated Treasury notes and bonds as well -- the reverse repurchase agreement channel documented in the official GENIUS Act text.

The GENIUS Act permits stablecoin issuers to hold qualifying reverse repo agreements as part of their reserve assets -- specifically, overnight reverse repos where the stablecoin issuer lends cash collateralized by Treasury securities. The key provision in the official Congress.gov GENIUS Act text is that while the reverse repo must have overnight maturity, there is no maturity restriction on the Treasury securities used as collateral in the repo. A stablecoin issuer that enters an overnight reverse repo backed by a 10-year Treasury note is technically holding a qualifying reserve asset -- an overnight cash position -- while the counterparty uses the stablecoin issuer's cash to fund a position in longer-dated Treasury securities.

The Brookings analysis confirmed: there does not appear to be maturity restrictions on the collateral used for these reverse repurchase agreements, suggesting that stablecoin issuers could be a source of cash collateral to counterparties that want to buy longer-dated Treasury securities. In practical terms: primary dealers and hedge funds that want to buy 10-year Treasury notes can finance those positions

by entering overnight repos with stablecoin issuers, using the 10-year notes as collateral. The stablecoin issuer holds a qualifying overnight reverse repo. The counterparty holds a long-term Treasury position financed by the stablecoin issuer's mandatory reserve cash.

The reverse repo channel is the mechanism that makes Bessent's description of the GENIUS Act as important for financing the US accurate beyond just the T-bill market. Stablecoin reserve cash flowing through the overnight repo market can finance Treasury positions across the entire yield curve -- supporting both the short-end direct T-bill purchases and the long-end indirect reverse repo financing channel. The full fiscal impact of GENIUS Act stablecoin reserves on the Treasury market is therefore larger than the direct T-bill holdings alone suggest.

05 -- TETHER, CIRCLE, AND THE CURRENT RESERVE LANDSCAPE

The current stablecoin reserve landscape -- documented through Tether's quarterly attestation reports, Circle's reserve disclosures, and the GENIUS Act's post-signing market growth data -- provides the empirical foundation for projecting the Treasury demand impact at larger market sizes.

Tether holds approximately \$141 billion in US Treasury securities as USDT reserve assets -- making Tether one of the largest single holders of short-dated US Treasuries on earth. For context, Tether's Treasury holdings are comparable in scale to the foreign exchange reserves of a mid-sized sovereign nation. Norway's sovereign wealth fund -- the largest in the world -- manages approximately \$1.7 trillion total, with a portion allocated to fixed income. Tether's \$141 billion in T-bill holdings is comparable to the Treasury allocation of a G20 central bank. This holding is managed not by a government or a sovereign institution but by a private company based in El Salvador that issues dollar-pegged stablecoins to global users who pay nothing for the right to hold them.

Circle's USDC reserve portfolio holds approximately \$77 billion in reserve assets, with the majority in short-duration US government securities. Circle reported \$1.66 billion in revenue for 2024, with \$1.61 billion -- 97% -- coming from interest income on USDC reserve assets. The fact that 97% of Circle's revenue is interest income from US government debt held as stablecoin reserves is the most commercially precise illustration of the GENIUS Act's fiscal architecture: Circle provides a payment service to its users, charges no fee for holding USDC, and earns its entire revenue from the interest that the US government pays on the T-bills that Circle is legally required to hold as USDC backing.

The OCC-chartered bank stablecoin issuers entering the market in the wake of the GENIUS Act -- Fidelity with FIDD, JPMorgan with JPMD, Circle through its OCC national trust bank charter, Ripple with RLUSD -- will each be required to hold GENIUS Act-compliant reserves as they grow their stablecoin market shares. Every dollar of market share that these new entrants capture from Tether and USDT is a dollar of stablecoin reserve demand that shifts from offshore Tether holdings to GENIUS Act-compliant domestic T-bill holdings. The GENIUS Act's fiscal benefit to the US Treasury is therefore maximized when GENIUS Act-compliant domestic stablecoin issuers displace offshore issuers in global market share.

06 -- THE INVESTMENT IMPLICATION: POSITIONING IN THE TREASURY DEMAND STORY

The stablecoin-to-Treasury demand thesis has specific and durable investment implications that extend beyond the stablecoin market itself to the blockchain infrastructure, oracle networks, and institutional custody layer that carries stablecoin reserve assets.

The first-order investment implication is in USDC and the Circle ecosystem. USDC is the GENIUS Act-compliant, OCC-chartered, domestically regulated stablecoin that is best positioned to capture market share from Tether as the post-GENIUS Act regulatory environment shifts global stablecoin demand toward compliant issuers. Every percentage point of market share that USDC gains from USDT is a percentage point of global stablecoin demand that shifts from Tether's offshore reserves to Circle's GENIUS Act-compliant T-bill reserve portfolio. The Treasury demand story is at its most powerful for investors who understand that Circle is simultaneously a financial services company, a US Treasury demand creation machine, and a strategic asset in the US government's dollar dominance 2.0 strategy.

The second-order investment implication is in the tokenized Treasury infrastructure that backs stablecoin reserves. BlackRock's BUIDL fund -- the first tokenized Treasury fund to achieve institutional scale, with \$4.3 billion in AUM by Q1 2026 -- is designed specifically as a stablecoin reserve management vehicle. BlackRock filed its BRSRV product specifically for stablecoin reserve management in May 8, 2026 SEC filings. JPMorgan's JLTXX on Ethereum, Fidelity's FIDD, and the broader tokenized money market fund ecosystem are all positioned as the institutional-grade reserve vehicles that bank stablecoin issuers will use to hold their mandatory GENIUS Act T-bill reserves on blockchain rails. The stablecoin reserve demand story is the demand driver for the entire RWA tokenized Treasury infrastructure.

The third-order investment implication is in the blockchains that carry USDC and the broader stablecoin ecosystem. Ethereum, Base, and Solana are the primary networks for USDC circulation. Every dollar of stablecoin market growth is a dollar of on-chain settlement volume on these networks. The stablecoin-to-Treasury demand story is simultaneously the stablecoin-to-blockchain-fee-revenue story: as the stablecoin market grows from \$316 billion to the White House's projected \$2 to \$4 trillion, the transaction volume on the networks carrying those stablecoins grows proportionally.

07 -- CONCLUSION: THE MOST ELEGANT FISCAL POLICY IN AMERICAN HISTORY

The GENIUS Act's stablecoin reserve framework is the most elegant fiscal policy instrument in American financial history -- and the word elegant is analytically precise, not rhetorical. Elegant solutions solve multiple problems simultaneously with a single mechanism. The GENIUS Act's reserve requirement solves three problems simultaneously: it creates a regulatory framework that legitimizes the stablecoin market and drives adoption, it creates mandatory demand for US Treasury securities that reduces government borrowing costs, and it extends dollar dominance globally by ensuring that global stablecoin growth is denominated in US dollars backed by US government debt.

The alternative -- a US central bank digital currency that would require the Federal Reserve to issue digital dollars directly to consumers -- solves none of these problems elegantly. It would require massive infrastructure investment, create government financial surveillance concerns, and generate political opposition from both conservatives worried about government overreach and progressives worried about financial surveillance. The GENIUS Act's private stablecoin framework achieves the same dollar dominance extension, the same Treasury demand creation, and the same digital payment infrastructure development -- without any of those costs.

For investors who are tracking the complete stablecoin regulatory and market infrastructure buildout documented across the Alain AI Lab research library -- the GENIUS Act passage, the OCC charter wave, the Circle IPO pathway, the bank stablecoin entries, the JPMD on Base, the BUIDL tokenized reserve funds, the AI agent payment rails -- the Treasury demand story is the sovereign-level validation that every other element of the stablecoin thesis is building toward. When the US Treasury Secretary calls a private crypto market's regulatory framework an important feature of financing the US, it is not a casual endorsement. It is a statement that the US government has made the growth of the stablecoin market a strategic national interest. Position accordingly.

GENIUS Act signed July 18 2025. \$109B in T-bills purchased in the next four months. Stablecoin market grew from \$200B to \$316B. Tether holds \$141B in US Treasuries. Circle earns 97 percent of revenue from T-bill interest. White House projects \$2-4T stablecoin market by 2028-2030. Bessent: important feature of financing the US. Washington did not stumble into this. Washington planned it.