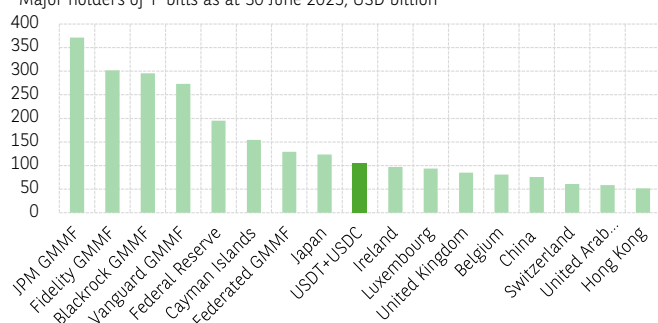


## United States: Will the Genius Act have the desired effect on demand for T-bills?

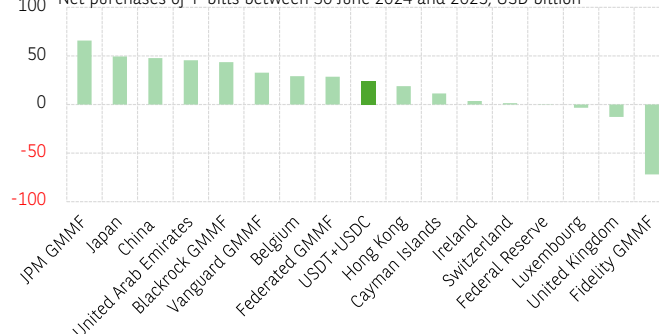
Céline Choulet and Laurent Quignon

### THE RISE OF STABLECOINS COULD PROPEL THEIR ISSUERS TO THE TOP SPOT AMONG HOLDERS AND NET BUYERS OF T-BILLS

Major holders of T-bills as at 30 June 2025, USD billion



Net purchases of T-bills between 30 June 2024 and 2025, USD billion



GMMF: money market funds invested in government debt (government money market funds), USD+ (USDC): dollar-denominated stablecoin issued by Tether (Circle)

SOURCE: OFR, TIC, TETHER (USD+), CIRCLE (USDC), FED, BNP PARIBAS

**Scott Bessent, US Treasury Secretary, hopes that the Genius Act<sup>1</sup> will stimulate demand for federal securities to almost match stablecoin<sup>2</sup> issuance, but this may not entirely come to fruition.**

#### A law designed to boost demand for T-bills from stablecoin issuers

By encouraging the growth of stablecoin holdings, the Genius Act, signed into law on 18 July by President Donald Trump, could ultimately have a significant impact on the scope of monetary policy, banking intermediation and financial stability. Here, we focus on the potential effectiveness of this legislation in terms of its objective of supporting demand for short-term Treasury securities (T-bills) at a time when the Treasury is reducing the average maturity of its issues.

This objective is reflected in a specific provision. The Genius Act requires issuers to fully back their issues with liquid asset reserves consisting of coins and banknotes, bank deposits, T-bills, T-bill repurchase agreements, money market fund shares invested in T-bills, or deposits with the Fed. S. Bessent estimates that this text could increase the outstanding amount of stablecoins to USD 2 trillion in 2028 (compared to USD 250 billion currently) and stimulate demand for T-bills by the same amount<sup>3</sup>. Such enthusiasm would propel stablecoin issuers to the top spot among holders (left-hand chart) and net buyers (right-hand chart) of T-bills.

#### The net increase in demand for T-bills is likely to be lower than that of dollar-denominated stablecoins.

However, the impact on net demand for T-bills will depend on several factors: the structure of stablecoin issuers' reserves, the origin of the funds raised by subscribers, and how the central bank and commercial banks adjust their securities portfolios. Even in the extreme scenario where stablecoin issuers back their entire issuance with T-bills or money market fund shares invested in T-bills, the net effect on demand for Treasury paper may not be as high as expected. Individuals' subscription to stablecoins could be at the expense of their holdings of Treasury securities<sup>4</sup>. Another possibility would be that the shift towards stablecoins would be at the expense of deposits and cash (including those circulating outside the United States, which the Fed estimates to be worth USD 1 trillion). In the first case, the sales of T-bills by households would offset the purchases made by stablecoin issuers. In the second case, the monetary resources of the money-issuing sector (the central bank and commercial banks) would be mechanically reduced. Banks have recently expressed fears of a run on deposits. Deprived of some of their most stable and least costly resources, the central bank and commercial banks could decide to hold fewer government securities.

It is also likely that issuers will increase their liquidity reserves in the form of bank deposits in order to cope with potential redemptions. However, reserves held in this form will result from a simple transfer of bank deposits from subscribing households to stablecoin issuers and will have no effect on net demand for T-bills.

Following the reallocation of assets triggered by the Genius Act, the net increase in demand for T-bills is therefore likely to be lower than that for dollar-denominated stablecoins, and the reduction in the cost of financing the US public deficit is likely to be more modest than expected.

1 Guiding and Establishing National Innovation for US Stablecoins Act

2 Stablecoins are digital assets circulating on a blockchain whose issuers seek to stabilise their value relative to a reference asset through backing or algorithmic mechanisms. The reference asset may be, for example, a stock market index, a commodity, or an official currency against which the stablecoin can be exchanged at any time (however, parity is not guaranteed).

3 "Bessent says stablecoin bill will boost demand for Treasuries, dollar assets", Reuters, 11 June 2025

4 Households directly hold 10% of federal debt (all maturities combined) and 24% of T-bills via money market funds.

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Internet: [www.group.bnpparibas](http://www.group.bnpparibas) - [www.economic-research.bnpparibas.com](http://www.economic-research.bnpparibas.com)  
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