IAI papers
No. 26|18 (November 2026)

Stablecoins: Blessing or Curse for US Financial Supremacy?

by **Luca Fantacci**

Stablecoins started as an innovation confined to cryptoasset trading, but over the last two years, they have grown into an important component of the international monetary system. As their use spreads further, the strengthening or weakening of the US dollar's hegemony may ultimately depend on them.

Stablecoins are a form of cryptocurrency with a steady value, as they are pegged to another asset or a collection of assets, usually currencies or commodities. In practice, almost all stablecoins are anchored to the US dollar. This is the main reason why stablecoins gained currency worldwide: they allow users to store and transfer wealth in dollars also outside the United States, for purposes ranging from remittances to instant settlements on financial markets, from automated machine-to-machine payments to money laundering. The digital and decentralised character of stablecoins facilitates their adoption in countries with weak currencies, volatile exchange rates or capital controls. This is leading to a form of "stealth dollarisation".

The peg is ensured by reserves of safe and liquid assets, mostly public debt. As the amount of stablecoins has grown above 300 billion dollars, the main issuers of these new instruments have become major players on markets for Treasury bills. Hence, the diffusion of stablecoins may be seen as a monetisation of US public debt on a global scale – performed not by a central bank, but by private actors.

At a time when the role of the dollar as a reserve currency is often questioned, stablecoins broaden the US currency's use in scale and scope. Yet, they may also undermine the dollar's reliability, stability, and the insulation of public functions from private interests. In other words, the future of US monetary hegemony is tied inextricably to the ambivalent implications of stablecoins.

1. Pumped by Trump

Over the past two years, the number and total value of stablecoins have grown significantly. As of September 2026, there are over 400 types of stablecoin with a total market value of roughly 300 billion dollars, and daily payments worth over 30 billion dollars. As noted by

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Paper produced in the framework of the IAI-Intesa Sanpaolo Partnership. The views expressed in this report are solely those of the author.

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Joseph Abadi, "stablecoin transaction volumes rival those of major payment processors such as Visa and Mastercard".[1] The sector is extremely concentrated, with two major issuers covering more than four-fifths of the market: Tether alone has issued 183 billion dollars worth of its stablecoins (called USDT), or 60 per cent of the stablecoin market, followed by Circle at 24 per cent (74 billion dollars). Almost all stablecoins (99 per cent) are pegged to the US dollar.

As shown in Figure 1, after a first leap forward in 2020-2021 and two years of stagnation, the market capitalisation of stablecoins accelerated again during Donald Trump's second term at the White House. Most of the recent growth in stablecoins occurred during the first year of his presidency, when their market value surged from around 170 billion dollars to over 300 billion dollars, where it has kept hovering throughout 2026.

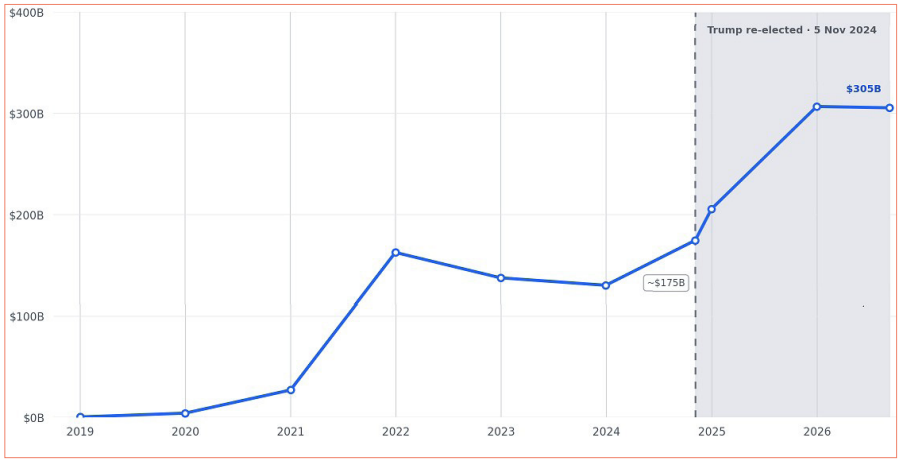


Figure 1 Total stablecoin market capitalisation (year-end observations, billion US dollars)

Source: DefiLlama.

The timing is hardly a coincidence. Just days after the inauguration of his second presidency, on 23 January 2025, Trump issued the Executive Order "Strengthening American Leadership in Digital Financial Technology" to fulfil his promise to make the United States the "crypto capital of the planet", by promoting the growth of digital assets and dollar-backed stablecoins through a federal regulatory framework and a national digital asset stockpile, while explicitly prohibiting the issuance of a digital dollar by the central bank.[2]

Trump had previously voiced strong scepticism about cryptocurrencies, calling bitcoin "a scam against the dollar".[3] His

1 Abadi, Joseph, "Stablecoins and the Future of the Dollar", in *Economic Insights*, June 2026, p. 2, https://www.philadelphiafed.org/the-economy/banking-and-financial-markets/stablecoins-and-the-future-of-the-dollar.

2 White House, *Fact Sheet: Executive Order to Establish United States Leadership in Digital Financial Technology*, 23 January 2025, https://www.whitehouse.gov/fact-sheets/2025/01/fact-sheet-executive-order-to-establish-united-states-leadership-in-digital-financial-technology.

3 Russon, Mary-Ann, "Donald Trump Calls Bitcoin 'a Scam against the Dollar'", in *BBC News*, 8 June 2021, https://www.bbc.com/news/business-57392734.

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In the new Trump administration, an unusual number of senior postshave been staffed with people from the world of crypto

change of mind was likely due to a combination of factors. In the 2024 election campaign, the crypto industry invested heavily to support political groups and candidates, particularly through the Fairshake SuperPAC.[4] The President himself (together with special envoy Steve Witkoff) has interests in World Liberty Fund, issuer of stablecoin USD1, and has made over 1 billion dollars in crypto sales in 2025.[5] Vice-President Vance is a close associate of PayPal founder Peter Thiel. In the new Trump administration, an unusual number of senior posts – in and around government – have been staffed with people from the world of crypto: Secretary of Commerce Howard Lutnick had previously led Cantor Fitzgerald, Tether's principal Wall Street reserve partner; Paul Atkins, co-chair of the crypto lobbying group Token Alliance, substituted Gary Gensler at the helm of the Securities and Exchange Commission; David Sacks, a close Musk ally and fellow PayPal alumnus, was made "White House AI and crypto czar".[6] Finally, Jonathan Gould, who was appointed Comptroller of the Currency in July 2025, had previously served as chief legal officer at Bitfury, a pioneer in bitcoin mining and now one of the major companies in the blockchain industry.[7] Although this list alone does not prove that private financial interests influenced policy decisions, it points to an unusual entanglement between the administration and the industry.

Unsurprisingly, digital assets have benefited from a more favourable regulatory approach under the Trump presidency. The above-mentioned Executive Order ruled out the issuance of a digital dollar by the US central bank. Private issuance of stablecoins was then regulated by the GENIUS Act, signed into law on 18 July 2025. The Act has imposed accountability and quality requirements for reserve assets: permitted payment stablecoins are to be backed by assets with high credit rating, high liquidity and short duration – such as cash, deposits, T-bills expiring in less than three months, repos and reverse repos, or any of these instruments held through government money market funds (MMFs) or in tokenised form.[8] By enhancing the credibility of stablecoins, the provisions of the

[4] Piper, Jessica, "Crypto Has Quietly Become One of the Biggest Electoral Players", in *Politico*, 15 October 2024, https://www.politico.com/news/2024/10/15/crypto-election-ads-fairshake-00183700.

[5] Rogers, Alex, "Donald Trump Made More than $1bn Last Year in Return to Presidency", in *Financial Times*, 1 July 2026, https://www.ft.com/content/dab0dd71-2d95-4838-b0df-e942f9cc5dec.

[6] Jenkins, Patrick, "The Systemic Financial Risk at the Heart of Trump Mk II", in *Financial Times*, 30 December 2024, https://www.ft.com/content/d23f3861-9659-4d02-b220-4e9db8059703.

[7] Wynn, Sarah, "Senate Confirms Former Blockchain Executive Jonathan Gould to Lead OCC", in *The Block*, 10 July 2025, https://www.theblock.co/news/regulation/2025-07-10-senate-confirms-former-blockchain-executive-jonathan-gould-to-lead-occ-362071.

[8] United States, *GENIUS Act*, Public Law 119-27, 18 July 2025, https://www.congress.gov/bill/119th-congress/senate-bill/1582.

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GENIUS Act are expected to accelerate the expansion of stablecoin issuance. Even conservative estimates envisage a strong growth of market capitalisation, ranging between 500 billion dollars and 1.4 trillion dollars by 2030. The most optimistic projections reach 4 trillion dollars.[9]

2. Drivers of Growth

Friendly regulation alone does not explain the success of stablecoins

Friendly regulation alone does not explain the success of stablecoins. We would not be witnessing such significant growth without a strong demand for stablecoins, driven by the distinctive characteristics of this new monetary instrument.

In the portfolio allocation strategies of crypto investors, stablecoins represent a safe asset. Being pegged to official currencies, they allow traders to reduce their exposure to the volatility of other digital assets, without having to transfer their wealth off chain. Stablecoins combine the stability of an official currency with the tokenised form of a cryptocurrency.

A second use is fostered by tokenisation itself: stablecoins can be transferred directly from one user to another as tokens, without depending on intermediaries and hence on the legal framework in which the latter operate (although issuance, redemption and access through regulated exchanges remain subject to identifiable intermediaries and legal jurisdictions). This makes them particularly useful for cross-border payments and particularly for remittances, which traditional intermediaries transfer with longer delays and higher transaction costs. Although the spread of systems like SEPA and companies like Wise and Revolut has greatly reduced the advantage of using stablecoins for this purpose in advanced economies, they are still relatively convenient for payments to and from less developed countries.[10]

Independence from intermediaries and the ability to cross borders seamlessly make stablecoins a convenient way to circumvent capital controls. Moreover, in countries with unstable or depreciating currencies stablecoins may appear useful not only as a means of exchange, but also as store of value. Stablecoins have therefore become an avenue of surreptitious dollarisation in developing economies.[11]

[9] Pinakiewicz, Thaddeus, "Stablecoins, the GENIUS Act, and the Evolving Structure of Dollar Finance", in *Galaxy Research*, 7 May 2026, https://www.galaxy.com/insights/research/stablecoins-genius-act-bank-deposit-flight-us-dollar-dominance.

[10] Di Iorio, Alberto et al., "Are Stablecoins Efficient for Remittances? Evidence from a Mystery Shopping Exercise by Banca d'Italia", in *Markets, Infrastructures, Payment Systems Series*, No. 86 (July 2026), https://www.bancaditalia.it/media/notizia/are-stablecoins-efficient-for-remittances-evidence-from-a-mystery-shopping-exercise-by-banca-d-italia.

[11] Hofmann, Boris et al., "Dollarisation and Monetary Control: What Lessons for the

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The pseudonymous character of many stablecoin transactions also favours their use for money laundering, terrorism financing and illegal activity in general

The pseudonymous character of many stablecoin transactions – which are recorded under blockchain addresses rather than users' real-world identities – also favours their use for money laundering, terrorism financing and illegal activity in general. According to Chainalysis, stablecoins accounted for 84 per cent of the cryptocurrency transaction volume attributed to illicit activity in 2025; the company nevertheless estimates that illicit transactions represented less than 1 per cent of the overall crypto transaction volume.[12] Stablecoins are also widely used to bypass sanctions: nearly 95 per cent of inflows to sanctioned entities and jurisdictions in 2025 were through stablecoins – the ruble-pegged stablecoin A7A5 alone processed more than 72 billion US dollars.[13] According to a recent report of the Permanent Subcommittee on Investigations of the US Senate, Iran has used Tether to circumvent international sanctions on its banks and to maintain links to its terrorist proxy organisations; in particular, "two sanctioned Iranian oil smugglers, Alireza Derakhshan and Arash Estaki Alivand, were able to move more than $603 million in USDT over a four-year period from 2021-2025 in a network that connected to Hizballah, the Houthis, and Iranian financial institutions".[14]

Stablecoins are programmable: they can execute payments automatically when certain conditions are met. This makes them particularly well-suited to automated settlements. For example, they can support delivery-versus-payment (DvP) arrangements in securities markets, ensuring that the transfer of an asset occurs only if the corresponding payment is made, or payment-versus-payment (PvP) in foreign-exchange transactions, where the two currency legs are settled simultaneously. This eliminates the risk that one side of the transaction is completed without the other, though other risks remain.

Tokenisation and programmability also extend the use of stablecoins beyond payments into credit services. Tokenisation allows the standardisation of non-fungible assets, making them suitable as collateral for loans, while smart contracts ensure the automatic execution of payments and manage delinquencies through the seizure of collateral. Stablecoins are increasingly used for peer-to-peer lending and other forms of decentralised finance (DeFi).

Finally, programmability, combined with low transaction costs and the possibility of making micropayments, makes stablecoins

Rise of Stablecoins?", in *BIS Working Papers*, No. 1370 (July 2026), https://www.bis.org/node/81626.

[12] Chainalysis, *The 2026 Crypto Crime Report*, June 2026, https://www.chainalysis.com/?p=26441.

[13] TRM Labs, *2026 Crypto Crime Report*, 28 January 2026, https://www.trmlabs.com/reports-and-whitepapers/2026-crypto-crime-report.

[14] Blumenthal, Richard et al., "Tethered to Terrorism: Crypto & Iran's Shadow Banking Network", in *US Senate Reports*, 28 September 2026, p. 3, https://www.hsgac.senate.gov/wp-content/uploads/2026-09-28-Crypto-and-Irans-Shadow-Banking-Network.pdf.

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potentially well suited to machine-to-machine payments. As artificial intelligence expands the use of autonomous software agents and an increasing number of devices become connected to digital networks, stablecoins could serve – alongside tokenised bank deposits and, potentially, central bank digital currencies – as settlement instruments for transactions between machines. These could include payments for computing power, data, storage, bandwidth or specialised information, executed automatically without direct human intervention. Stablecoins may therefore become part of the monetary infrastructure of the AI economy.

The uses of stablecoins outside the realm of crypto trading are not merely hypothetical or prospective. Recent research shows an increase in the use of stablecoins for micropayments, an expansion of on-chain credit markets, and a surge in machine-initiated payments.[15] As summarised by one of the authors, "dollar-denominated stablecoins are increasingly functioning as tokenized money, with transaction volumes now exceeding those of Bitcoin and growing use in payments, savings, and programmable transactions".[16]

3. Implications for the US banking system

With the rise of stablecoins, there is a growing possibility that they may eventually compete with bank deposits in offering a convenient way to store and transfer money. After all, bypassing traditional intermediaries was one of the declared purposes of digital ledger technology since the invention of bitcoin as "a peer-to-peer electronic cash system".[17] The disintermediation would represent a threat not only for the banking sector but also for the economy at large: the loss of a major source of cheap funding for commercial banks would undermine their profitability, but ultimately also their ability to finance trade and investments.[18] The risk is amplified by a flaw in the GENIUS Act, which prohibits issuers from remunerating the mere holding of stablecoins, but does not prevent third-party platforms from offering rewards, opening a potential regulatory loophole.[19]

The disintermediation would represent a threat not only for the banking sector but also for the economy at large

[15] Cong, Lin William et al., "Five Facts About Stablecoins", in *SSRN*, 12 June 2026, https://doi.org/10.2139/ssrn.6930198.

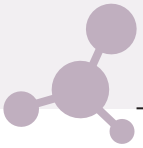
[16] Correa, Ricardo et al., "Fifth Conference on the International Roles of the U.S. Dollar: Stablecoins, Digital Payments, and the International Role of the U.S. Dollar", in *FEDS Notes*, 16 July 2026, https://doi.org/10.17016/2380-7172.4140.

[17] Nakamoto, Satoshi, "Bitcoin: A Peer-to-Peer Electronic Cash System", in *SSRN*, 21 August 2008, https://doi.org/10.2139/ssrn.3440802. It is worth noting, however, that the latter envisaged a completely decentralised system, whereas most stablecoins involve a degree of centralisation, as their peg to the official currency is guaranteed by the backing in liquid assets held by the issuer.

[18] Bank for International Settlements (BIS), *Annual Economic Report 2026*, June 2026, p. 95, https://www.bis.org/node/58134.

[19] In the light of the professional background recalled above, it will hardly be surprising that the Comptroller of the Currency, Jonathan Gould, has allowed crypto firms such as

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There are several factors that could mitigate the risk of disintermediation of traditional banks

The digital asset industry plays down those risks by comparing stablecoins with other forms of quasi-money, such as MMFs, which act as complements rather than substitutes for bank deposits, despite competing for some of the same savings. Moreover, supporters of stablecoins suggest that a degree of competition would reduce rents and incentivise more adequate pricing policies for other services provided by banks that are currently subsidised by the interest-rate margin. However, it has been rightly noted that the comparison with MMF suggests that private monetary innovation "can heighten financial stability risks, affect monetary policy transmission and alter the international monetary order".[20] Not to mention that, unlike MMFs, stablecoins are used for retail payments, which are far more relevant for deposits.

There are several factors that could mitigate the risk of disintermediation of traditional banks. First, banks have pressed lawmakers to plug the gap in regulation: the so-called Clarity Act included a provision to rule out the possibility for any entity, and not just the issuers, to remunerate the mere holding of stablecoins (while allowing rewards on other activities, such as staking).[21] However, the bill was blocked by a vote at the Senate on 15 September 2026 and it is unlikely that any new legislation on the digital asset market will be passed before the end of the year.[22]

Second, the flows that fuel the growth in stablecoins do not only come from bank deposits, but also from cash, MMFs and, perhaps even more significantly, foreign assets. Tether has experienced a steep increase in circulation in the Asia-Pacific region, where the share of outstanding stablecoin balances has surged from around 20 per cent in 2022 to over 50 per cent in 2026.[23]

Third, the potential flight from deposits could be countered by banks themselves by offering customers tokenised deposits, which have characteristics similar to stablecoins, but remain on the balance sheet of the banks. An example is JP Morgan: its JPM Coin is not a stablecoin as the name would suggest, but a digital representation of

Ripple and Crypto.com to enter the banking business. See Tokar, Dylan, "The Trump Official Ushering Crypto into the Banking System", in *The Wall Street Journal*, 17 March 2026, https://www.wsj.com/finance/regulation/the-trump-official-ushering-crypto-into-the-banking-system-1139d411.

[20] Schnabel, Isabel, *From Money Market Funds to Stablecoins: Lessons for Central Banks*, Speech at the 2026 Bank of Korea International Conference on Central Banks and the Future of Money, Seoul, 1 June 2026, https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260601~38dffe5ec5.en.html.

[21] US Senate Committee on Banking, Housing, and Urban Affairs, *Digital Asset Market CLARITY Act: Section-by-Section*, 12 May 2026, https://www.banking.senate.gov/imo/media/doc/section-by-section.pdf.

[22] Tank, Margo et al., "Senate Fails to Advance the CLARITY Act", in *DLA Piper Insights*, 22 September 2026, https://www.dlapiper.com/en/insights/publications/2026/09/senate-fails-to-advance-the-clarity-act.

[23] Cong, Lin et al., "Five Facts About Stablecoins", cit., p. 27.

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a bank deposit.

A fourth argument that could relieve banks from concerns about a potential disintermediation by stablecoin issuers comes from the fact that the latter lack a system of deposit insurance. Hence, in principle, they are more prone to crises. However, a "run on a global stablecoin could potentially spill over to the traditional financial system via reserve-asset fire sales and banking deposit withdrawals to fund redemptions".[24] In similar circumstances, monetary authorities may be forced to act as lenders of last resort to avoid chain insolvencies, despite the absence of a legal commitment to intervene, "raising concerns that stablecoins may develop an implicit reliance on government support (bail-out)".[25]

Ultimately, the main counterweight to outflows from bank deposits are the provisions of the GENIUS Act that oblige issuers to back stablecoins with highly safe and liquid assets: of course, bank deposits are one of the favoured instruments used as reserves, after sovereign debt-related assets. It is not clear, therefore, that the net effect of stablecoin expansion on bank deposits will be negative. In fact, recent projections by Galaxy corporation estimate a balanced composition of inflows into stablecoins, with roughly one-third coming from domestic deposits, one-third from other domestic sources, and one-third from foreign assets: under this scenario, the net impact on the US banking system would be more likely to be positive than negative, and the net effect on domestic credit creation from neutral in the bear scenario to highly expansionary (up to 1 trillion dollars) in the bull scenario.[26]

The expansion of stablecoins would likely cause a redistribution of deposits among banks

However, it is not just a matter of net flows in or out of the banking system. Even supposing that the overall amount of bank deposits did not change much, the expansion of stablecoins would likely cause a redistribution of deposits among banks, and particularly from small community banks (from which part of the deposits converted into stablecoins would come) to large international banks (where the issuers of stablecoins would most probably choose to keep their reserves). This would have implications not only for inter-bank competition, but also for the economy as a whole, since a more concentrated deposit base alters the allocation of credit and potentially increases financial fragility.[27]

[24] Financial Stability Board, *Global Stablecoin Arrangements. Cross-border Vulnerabilities and Financial Stability Monitoring*, 12 October 2026, p. 2, https://www.fsb.org/?p=60994.
[25] European Systemic Risk Board, *Crypto-assets and Decentralised Finance. Report on Stablecoins, Crypto-Investment Products and Multifunction Groups*, October 2025, p. 24, https://www.esrb.europa.eu/pub/pdf/reports/esrb.report202510_cryptoassets.en.pdf.
[26] Pinakiewicz, Thaddeus, "Stablecoins, the GENIUS Act, and the Evolving Structure of Dollar Finance", cit.
[27] He, Hui et al., "Stablecoins and Macroeconomic Stability: A DSGE Investigation", in *IMF Working Papers*, No. 26/129 (June 2026), https://doi.org/10.5089/9798229049702.001.

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4. Implications for the rest of the world

Stablecoins offer easier access to the US dollar for wholesale and retail programmable payments not only in the United States, but throughout the world. Compared to cash, it is easier for stablecoins to cross borders and gain circulation in foreign countries. Tether's CEO Paolo Ardoino has even extolled stablecoins as instruments to promote financial inclusion.[28]

Nevertheless, from a macroeconomic perspective, the diffusion of stablecoins amounts to a drain on savings of peripheral countries. This is particularly true for countries with weak currencies (suffering inflation and/or devaluation), weak financial systems and banks, low financial inclusion, large informal savings, or capital controls. The facilitated access to the US dollar through stablecoins could precipitate damaging self-reinforcing mechanisms: the weakness of the domestic economy and currency could easily lead to capital outflow through stablecoins, further weakening the domestic currency and financial system and encouraging capital outflows in a vicious circle.

Stablecoins could foster a surreptitious dollarisation, which would amount to a form of 'monetary colonisation'

Stablecoins could thus foster a surreptitious dollarisation, which would amount to a form of 'monetary colonisation' through digital currency substitution, particularly in less developed countries.[29] Even in advanced countries, stablecoins are perceived as a threat to monetary sovereignty, as repeatedly warned by officials at the European Central Bank, who have presented the digital euro and euro-denominated stablecoins as countermeasures.[30]

Finally, the diffusion of stablecoins has raised concerns for financial stability in the rest of the world, as it has in the United States, prompting a response in terms of multilateral regulation. In particular, the Basel Committee on Banking Supervision (BCBS) introduced strict capital charges and rigorous redemption risk tests to prevent private stablecoin liquidity crises from spilling into the traditional banking sector.[31]

[28] Syniavska, Hanna, "Paolo Ardoino: Developing Countries Rely on USDT for Commerce and Financial Inclusion", in *TU News*, 23 August 2026, https://tradersunion.com/news/market-voices/show/3085956.
[29] Aldasoro, Iñaki et al., "The Impact of Stablecoins on the International Monetary and Financial System", in *BIS Papers*, No. 170 (May 2026), https://www.bis.org/node/59642.
[30] Cipollone, Piero, *Europe and Monetary Sovereignty*, Speech at the Accademia Nazionale dei Lincei, Rome, 12 February 2026, https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260212~9fabe9baaa.en.html; Lagarde, Christine, *Stablecoins and the Future of Money: Separating Functions from Instruments*, Speech at the Banco de España, LatAm Economic Forum, Roda de Bará, 8 May 2026, https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260508~dd909fbed1.en.html.
[31] Basel Committee on Banking Supervision (BCBS), "SCO60 Cryptoasset Exposures", in *The Basel Framework*, last updated on 1 January 2026, p. 31-68, https://www.bis.org/node/81565.

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Sovereign debt-related assets are the largest component of stablecoin reserves, well exceeding deposits

5. Implications for the US Treasury

As mentioned above, sovereign debt-related assets are the largest component of stablecoin reserves, well exceeding deposits. It is hardly surprising that the growth of stablecoin market capitalisation has been accompanied by an increasing weight of stablecoin issuers on the US sovereign debt market. Circle held roughly 83 per cent of reserves for its stablecoin (USDC) in Treasury-related assets at the end of June 2026, consisting of about 8.5 billion dollars in direct Treasury securities and 52.5 billion dollars in Treasury-backed reverse repos, with the remainder predominantly in cash and bank deposits.[32] Tether held about 115 billion dollars in direct US Treasury bills and a further 25.6 billion dollars in Treasury-backed reverse repos, out of total reserve assets of approximately 187.8 billion dollars comprising other less secure and less liquid assets such as precious metals (19 billion dollars) and secured loans (13 billion dollars).[33] Together, the two major stablecoins have a Treasury-related reserve exposure of a magnitude comparable to the Treasury holdings of countries such as Germany (103 billion dollars) and Italy (62 billion dollars).[34]

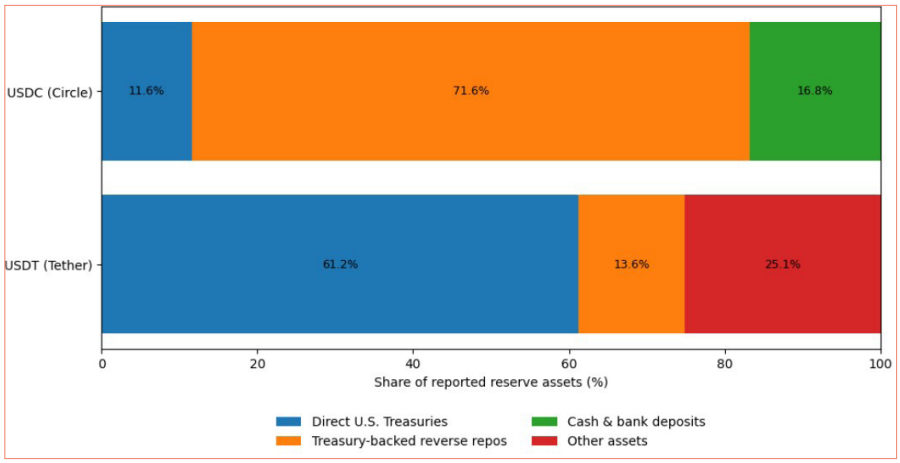


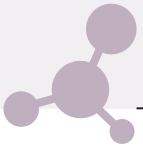
Figure 2 Reserve composition of the two largest US dollar stablecoins (30 June 2026)

Source: author's calculations on Circle, *USDC Reserve Report*, cit.; and Tether, *Assurance Report*, cit.

The main advantage for the United States lies in the lower costs of funding the public debt. Empirical evidence available so far suggests that increases in stablecoin issuance can push down the short end of sovereign yield curves and lower money market yields more generally. This could reduce short-term funding costs, provide

[32] Circle, *USDC Reserve Report*, June 2026, https://6778953.fs1.hubspotusercontent-na1.net/hubfs/6778953/USDCAttestationReports/2026/2026%20USDC_Examination%20Report%20June%2026.pdf.
[33] Tether, *Assurance Report According to ISAE 3000r on the Financial Figures and Reserves Report*, 30 June 2026, https://assets.ctfassets.net/vyse88cgwfbl/2kYf7r64h3tzwiu6F0CbUB/2997abd2f11ecea74a21528048b50707/Opinion___Report_-_Tether_International_Financial_Figure_30-06-2026.pdf.
[34] US Treasury website: *Major Foreign Holders of Treasury Securities*, https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/mfhhis01.html.

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additional fiscal space and potentially ease aggregate financing conditions.[35] According to BIS estimates, an expansion of stablecoin market capitalisation to 3 trillion dollars could lower Treasury bill (T-bill) yields by over 35 basis points, while increasing deposit spreads by 7 basis points.[36]

Stablecoin growth will not only have a quantitative impact on the demand for government debt, but also a qualitative one on the preferred maturities. Given the constraints imposed by the GENIUS Act, stablecoin reserves will have to be concentrated in short-term debt (maximum three-month T-bills). This may be in line with the intended shift of the Treasury to shorter-term debt aimed at avoiding driving up the cost of mortgages through bond issuance. However, the shift from long- to short-term debt will also inevitably imply a potential increase in the volatility of the conditions at which the public debt is financed: "sizeable holdings of bills by stablecoin issuers would raise the possibility of asymmetric, outsize effects on sovereign yield curves during episodes of large redemptions".[37]

Stablecoins represent an indirect monetisation of US public debt through privately issued dollar liabilities circulated on a global scale

Therefore, stablecoins represent an indirect monetisation of US public debt through privately issued dollar liabilities circulated on a global scale. The novelty with respect to prior historical instances of monetisation is twofold. First, stablecoins are designed to circulate both domestically and internationally. Secondly, and perhaps more importantly, this new form of monetisation that funds public debt is performed by private entities, instead of a public actor like the US Treasury or the central bank. This is potentially even more disruptive to the international monetary system: it amounts to handing over to private non-bank issuers, operating under a newly established regulatory regime, both substantial revenues in terms of seigniorage and huge influence over the monetary and fiscal conditions of the United States. The strength of the US currency and the burden of its public (and foreign) debt would come to depend on the ability of private issuers to circulate stablecoins worldwide.

This generates the "need for public-sector infrastructure to evolve alongside private innovation to preserve monetary and financial stability", as advocated by Eswar Prasad in his keynote address at the Fifth Conference on the International Roles of the US Dollar held at the Federal Reserve in Washington DC in June 2026.[38]

[35] Ahmed, Rashad and Iñaki Aldasoro, "Stablecoins and Safe Asset Prices", in *BIS Working Papers*, No. 1270 (June 2025), https://www.bis.org/node/57397; BIS, *Annual Economic Report 2026*, cit.
[36] Hofmann, Boris et al., "The Macroeconomics of Stablecoins", in *BIS Working Papers*, No. 1363 (June 2026), https://www.bis.org/node/58339.
[37] BIS, *Annual Economic Report 2026*, cit., p. 96.
[38] Quoted in Correa, Ricardo et al., "Fifth Conference on the International Roles of the U.S. Dollar", cit. Similar concerns were voiced by Lagarde, Christine, *Stablecoins and the Future of Money*, cit.

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6. US DOLLAR HEGEMONY: STRENGTHENED, WEAKENED OR BOTH?

Stablecoins are expected to continue growing. It is true that the first nine months of 2026 have disappointed expectations with a substantial stagnation in the issuance of stablecoins. However, given the distinctive features and the many use cases described above, it is hard to imagine that stablecoins will not continue to grow, in terms of market capitalisation and transaction volumes, contributing to the strengthening of US dollar hegemony. Overall, as noted recently by Federal Reserve Governor Christopher J. Waller in his opening remarks to the Fifth Conference on the International Roles of the US Dollar, stablecoins are "creating new channels for global dollar intermediation".[39]

The US administration looks explicitly at stablecoins as a new instrument to sustain the hegemonic role of the United States and of its currency

This development occurs at a time when some traditional foundations of dollar hegemony are under growing pressure, owing to geopolitical fragmentation, concerns over fiscal sustainability and periodic strains in US Treasury-market functioning. The ever more frequent recourse to sanctions, the freezing of central bank reserves and, in general, the weaponisation of payment systems has contributed to a partial retreat from US dollar-denominated assets and T-bills. It is hardly surprising that, in this context, the US administration looks explicitly at stablecoins as a new instrument to sustain the hegemonic role of the United States and of its currency. In the words of Secretary of the Treasury Scott Bessent: "[Stablecoins] will buttress the dollar's status as the global reserve currency, expand access to the dollar economy for billions across the globe, and lead to a surge in demand for U.S. [Treasury bills]".[40]

This is not to say that the US dollar financial hegemony will remain unaltered. In fact, its increasing reliance on stablecoins is leading to two major changes.

First, stablecoins represent a new form of public-private partnership in money creation: the monetisation of public debt on a global scale is handed over to private concerns, sometimes controlled by members of the administration (including the President), producing an endemic conflict of interest and lack of transparency.

Second, the increased reliance on stablecoins entails new risks for financial stability as issuers remain exposed to runs on reserves. Here, there is a relevant analogy with eurodollars and other more traditional forms of private, unregulated expansions of the US dollar supply created outside the direct control of the Federal Reserve.[41]

[39] Correa, Ricardo et al., "Fifth Conference on the International Roles of the U.S. Dollar", cit.
[40] Quoted in Abadi, Joseph, "Stablecoins and the Future of the Dollar", cit., p. 3.
[41] Fantacci, Luca and Lucio Gobbi, "Stablecoins, Central Bank Digital Currencies and US Dollar Hegemony. The Geopolitical Stake of Innovations in Money and Payments", in *Accounting, Economics and Law: A Convivium*, Vol. 14, No. 2 (2024), p. 173-200, https://doi.org/10.1515/ael-2020-0053.

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However, in the case of stablecoins, there is even greater uncertainty about the availability of a public liquidity backstop in a crisis:[42] "Even USDC – a transparent stablecoin holding high-quality reserves – relied on a government guarantee for its survival".[43]

The United States is attempting to reinforce dollar hegemony by outsourcing part of its international monetary infrastructure to private stablecoin issuers. This may strengthen the global reach of the dollar in the short term. But simultaneously, it is creating new forms of financial and geopolitical fragility.

[42] Aldasoro, Iñaki et al., "The Impact of Stablecoins on the International Monetary and Financial System", cit., p. 17.
[43] Abadi, Joseph, "Stablecoins and the Future of the Dollar", cit., p. 7.

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ISSN 2610-9603 | ISBN 978-88-9368-419-4 | 10.82088/IAIp2618

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