Stablecoins supercharged

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Key Takeaways

- The GENIUS Act formalises stablecoins as US-regulated financial infrastructure.
- Mandatory reserves in treasuries will structurally anchor government debt demand.
- Stablecoin issuers evolve into digital banks under federal scrutiny.
- The US is exporting digital monetary dominance globally.
- A stablecoin shakeout is imminent – compliance, not code, is the new moat.

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The GENIUS Act represents a seismic shift in macroeconomic policy: the United States (US) is embedding the dollar into the next-generation financial infrastructure, uniting monetary strategy, capital markets, and digital technology under a sweeping legislative vision.

The Act cleared both chambers of Congress with bipartisan support and was signed into law by US President Donald Trump on Friday, 18 July 2025.

Simultaneously, the administration is drafting an executive order to expand 401(k) investment options to include alternative assets such as digital currencies. If implemented, this could unleash a wave of institutional participation, repositioning crypto as a core pillar in retirement portfolios. Alongside the GENIUS1 and CLARITY2 Acts, this signals a coordinated federal initiative to embed digital assets across both institutional finance and retail wealth infrastructure.

Macro power play

The GENIUS Act rewrites the stablecoin playbook. It mandates:

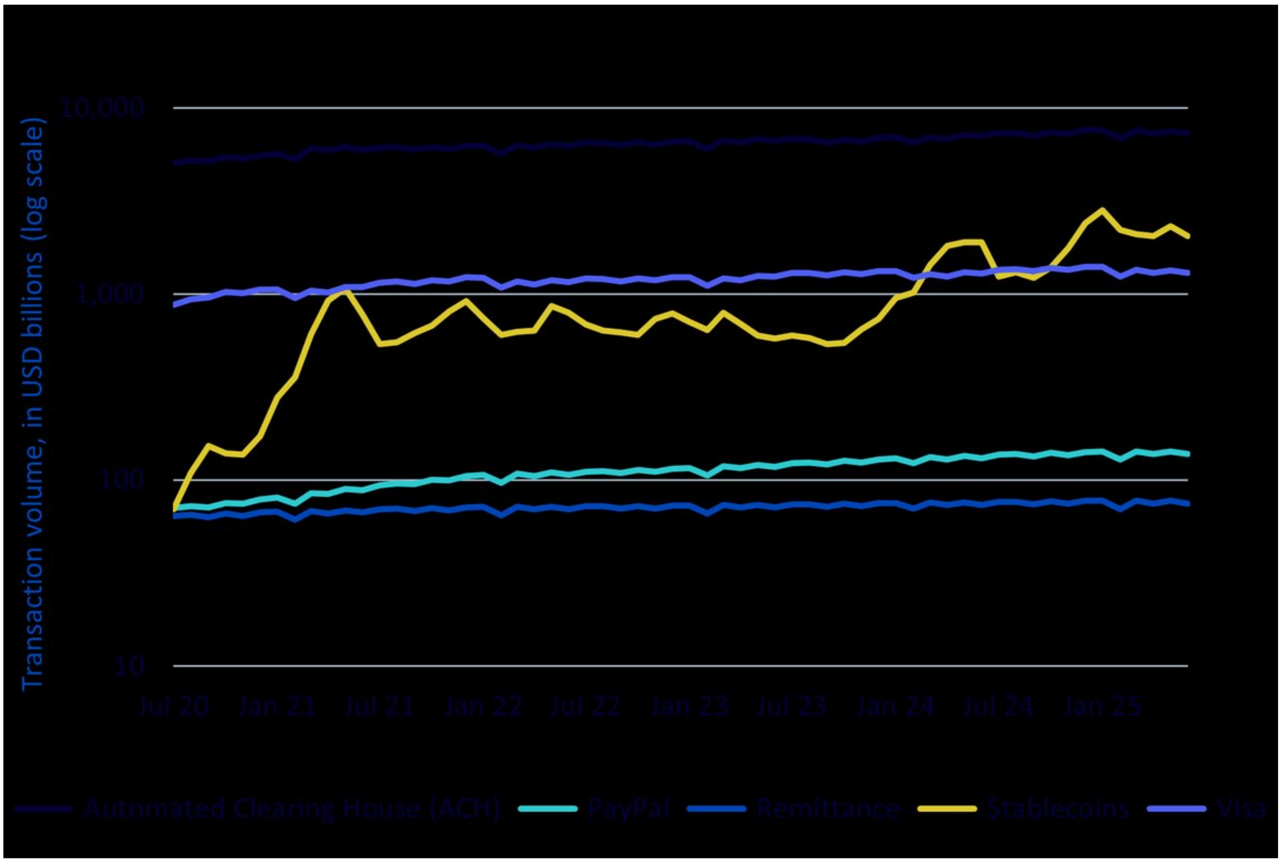
- Full 1:1 backing in cash, short-term Treasuries, government money market funds or similar investments.
- A tiered oversight model, prioritising systemic issuers.
- Bankruptcy protections that elevate stablecoin holders.

This is not about incremental safety. It is about transforming stablecoins into sovereign-aligned financial instruments, which are transparent, liquid, and compliant by design.

Treasury domination and yield curve implications

As the stablecoin market grows and with reserves held in Treasuries and similar instruments, stablecoin issuers become enduring demand engines for the US government debt. This persistent bid will anchor yields, steepen the curve, and unlock complex fiscal arbitrage opportunities. Issuers may tactically optimise reserve allocations across T-bill auctions, repo markets, or cross-currency trades. These are yield-enhancing moves that are particularly valuable in low-volatility conditions.

This structural demand could suppress front-end yields and distort rate transmission mechanisms. Effectively, stablecoins may evolve into reflexive macro players – buyers of last resort that embed digital liquidity into the sovereign debt machine.

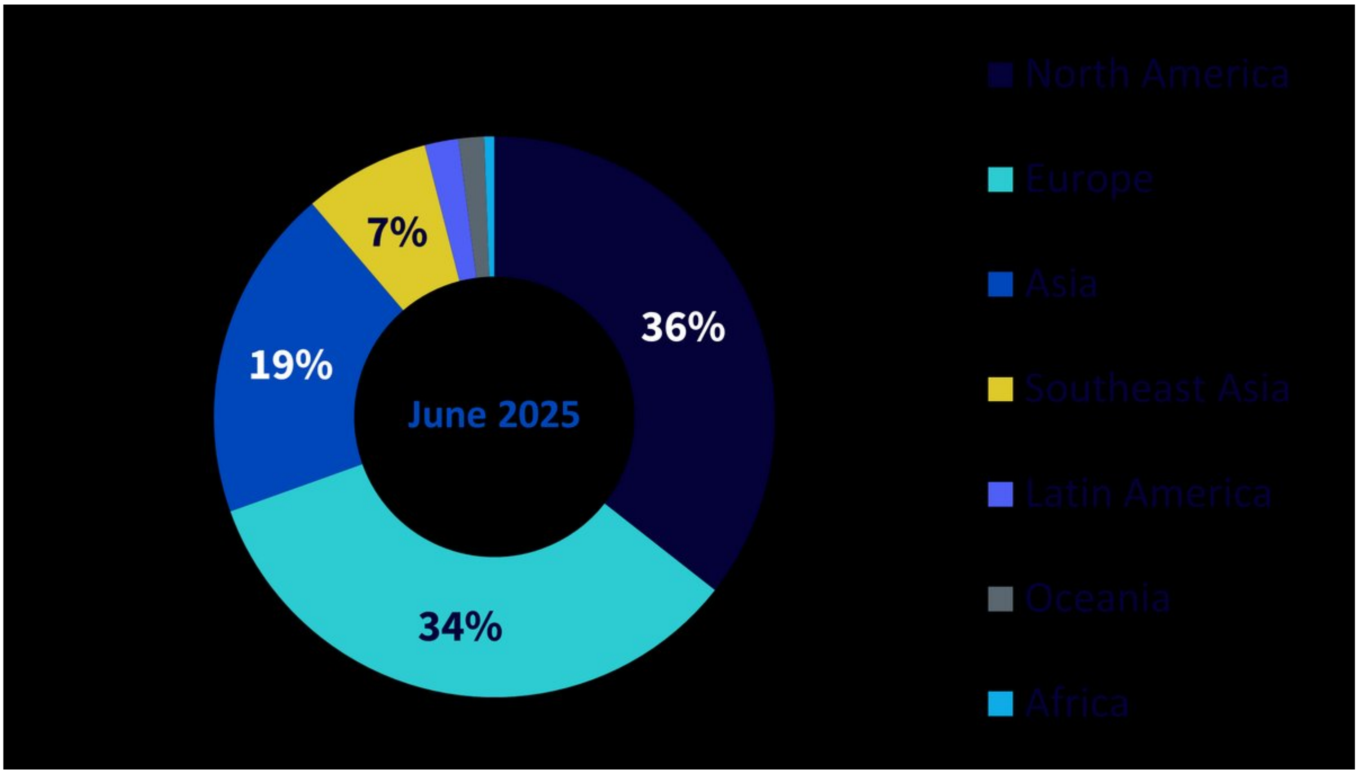


Forecasts suggest stablecoin supply could reach $2–4 trillion by 2030, absorbing trillions in Treasuries3. That would be on par with flows from major mortgage or foreign buyers. While it is not clear if this stablecoin supply is substituting for other forms of US dollar money or other global currencies, at least some portion of this seems likely to be net new demand. This institutionalises a new regime where crypto, liquidity, and dollar strength reinforce one another in a fiscal feedback loop.

Geopolitical game-changer

The US has launched an assertive monetary offensive as the European Union stalls and Asia treads cautiously. The GENIUS Act positions the dollar as the default layer for global value transfer by codifying stablecoin issuance into federal law.

- Offshore issuers face a binary outcome: either establish regulated US entities or meet stringent American standards – effectively exporting US regulation globally.
- In inflation-hit economies such as Argentina and Turkey, where stablecoins already serve as de facto dollars, the Act transforms this informal dominance into formal monetary reach.



The GENIUS Act is not domestic fine-tuning. It is a digital dollar power play designed to entrench US dominance and box out rivals. Paired with the CLARITY Act, which aims to define regulatory bounds for decentralised finance (DeFi) and crypto platforms, this legislative duo forms a blueprint for American supremacy in digital finance.

Shakeout

This is financial Darwinism. Compliance costs are surging, legal intricacies multiplying, and capital standards rising. Players with offshore shells, thin reserves, or ambiguous governance models will be wiped out. In their place, top-tier stablecoin issuers will evolve into on-chain banks – with governance boards, audit trails, risk dashboards, and regulatory interfaces.

Think Basel III meets blockchain – not startups, but digital financial institutions with systemic heft. Survival demands more than code. It requires capital, compliance, and scale.

Bottom line

Sceptical? Good. But this is not business as usual. It is a systemic upgrade – a dollar-centric redesign of financial infrastructure. The US installed programmable, compliant rails to power the next digital economy with enough muscle to marginalise the euro in tokenised finance.

The US is not just catching up. It is seizing control. With the GENIUS Act, stablecoins become instruments of statecraft, and crypto markets become the new frontier of dollar hegemony. Institutional capital will follow compliance, and compliance now wears stars and stripes.

1Guiding and Establishing National Innovation for US Stablecoins.
2The Clarity Act has only been passed by the House of Representatives. The Senate version will likely have substantial differences, and language will be driven from two different Senate Committees (Agriculture for commodities issues and Banking for securities issues).
3Sources: Finextra (01 May 2025). Crowdfund Insider (05 June 2025).

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