

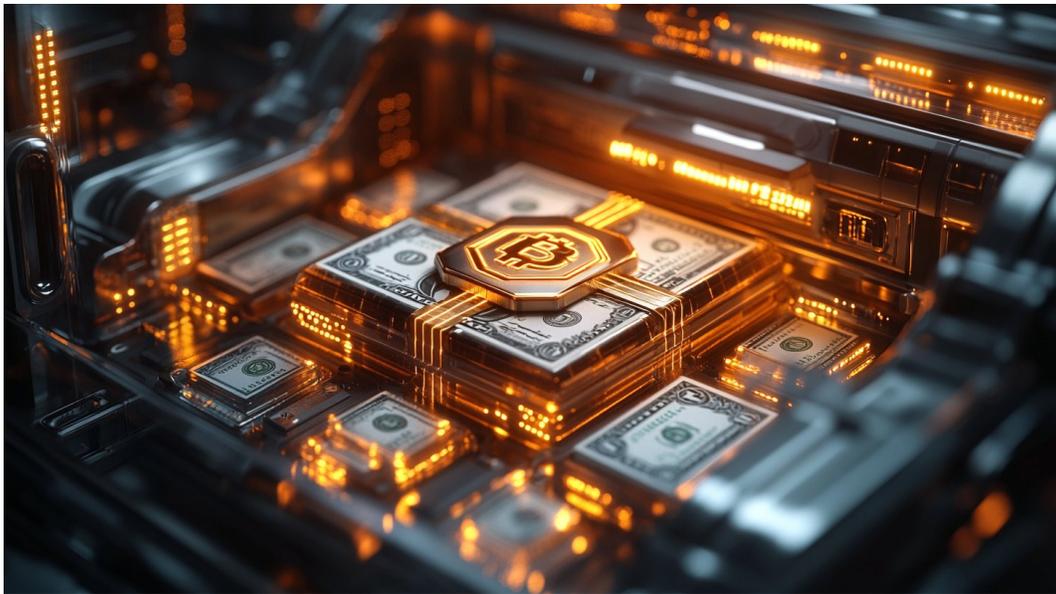
After GENIUS

What 1:1 Backing Really Means for Stablecoins in 2026

A Regulatory and Market Structure Analysis

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Executive Summary

The GENIUS Act transforms stablecoins from an unregulated experiment into a regulated financial product—and in doing so, creates the legal architecture for a digital dollar layer that extends U.S. monetary hegemony into the next generation of global payment networks.

The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) mandates that every payment stablecoin issued under U.S. jurisdiction be backed 1:1 by U.S. dollars, short-term Treasury securities with maturities under 93 days, fully insured deposits at U.S. depository institutions, or overnight repurchase agreements collateralized by Treasuries. No creative reserve compositions. No algorithmic stabilization mechanisms. No mineral deposits, real estate, corporate debt, or other risk assets. Cash and near-cash instruments, independently verified and publicly disclosed on a monthly basis.

This paper examines the regulatory architecture of the GENIUS Act, its economic implications for the stablecoin market, the monetary policy consequences of mandated Treasury-backed reserves, and the strategic implications for institutional adoption, market structure, and U.S. dollar dominance in global digital payments.

The Road to GENIUS: A Brief History of Stablecoin Risk

The Regulatory Vacuum (2014–2022)

The stablecoin market emerged in the mid-2010s as a solution to a practical problem: cryptocurrency traders needed a dollar-denominated asset that could move on blockchain rails without touching the traditional banking system. Tether (USDT), launched in 2014, was the first widely adopted stablecoin. Its value proposition was simple: each USDT token was purportedly backed by one U.S. dollar held in reserve.

For nearly a decade, this claim went largely unverified. Stablecoin issuers operated in a regulatory gray zone—they were not banks, not money market funds, not securities issuers, and not payment processors, yet they functioned as all four simultaneously. The absence of a clear regulatory framework meant that reserve composition, disclosure frequency, and redemption guarantees were determined entirely by the issuer.

Case Study: Tether’s Reserve Evolution

Tether’s reserve disclosures reveal the risks of self-regulation:

- **2014–2019:** Claimed 100% dollar backing; no independent verification.
- **2019:** Tether’s own counsel admitted in New York Attorney General proceedings that reserves were only 74% backed, with the remainder loaned to affiliated entity Bitfinex.
- **2021 attestation:** Reserves included 49.6% commercial paper, 12.5% secured loans,

10% corporate bonds/funds/precious metals, and only 3.87% cash.

- **2022–2023:** Under regulatory pressure, Tether shifted substantially toward U.S. Treasuries, reducing commercial paper to near zero.
- **2024–2025:** Reported over 80% Treasuries, but still reliant on quarterly attestations rather than continuous audits.

The trajectory illustrates a fundamental principle: without mandatory standards, reserve quality improves only under external pressure, and typically only after risks have already materialized.

The Algorithmic Collapse: TerraUSD

The most catastrophic stablecoin failure occurred in May 2022, when TerraUSD (UST)—an algorithmic stablecoin backed not by reserves but by a mint-and-burn mechanism linked to its sister token LUNA—lost its dollar peg and collapsed to near zero within five days.

The TerraUSD collapse destroyed approximately \$40 billion in market value, triggered cascading liquidations across DeFi protocols, and contributed to the insolvency of Three Arrows Capital, Celsius Network, Voyager Digital, and ultimately FTX. The systemic damage demonstrated that stablecoin risk is not contained within the issuer—it propagates through every protocol and institution that treats the stablecoin as a reliable dollar equivalent.

The algorithmic design of TerraUSD violated a fundamental principle of monetary economics: a fixed exchange rate cannot be maintained without sufficient reserves to absorb redemption pressure. When confidence wavered, the reflexive mechanism accelerated the collapse rather than arresting it—a “death spiral” that classical currency crisis models (Krugman, 1979; Obstfeld, 1996) would have predicted.

The Regulatory Response

The TerraUSD collapse and the subsequent crypto contagion created bipartisan political will for stablecoin legislation. Between 2022 and 2025, multiple legislative proposals circulated through Congress, including the Lummis-Gillibrand Payment Stablecoin Act, the McHenry-Waters draft, and the Hagerty stablecoin framework. The GENIUS Act, introduced by Senators Hagerty, Gillibrand, and others, emerged as the consensus vehicle, passing with bipartisan support.

The GENIUS Act: Regulatory Architecture

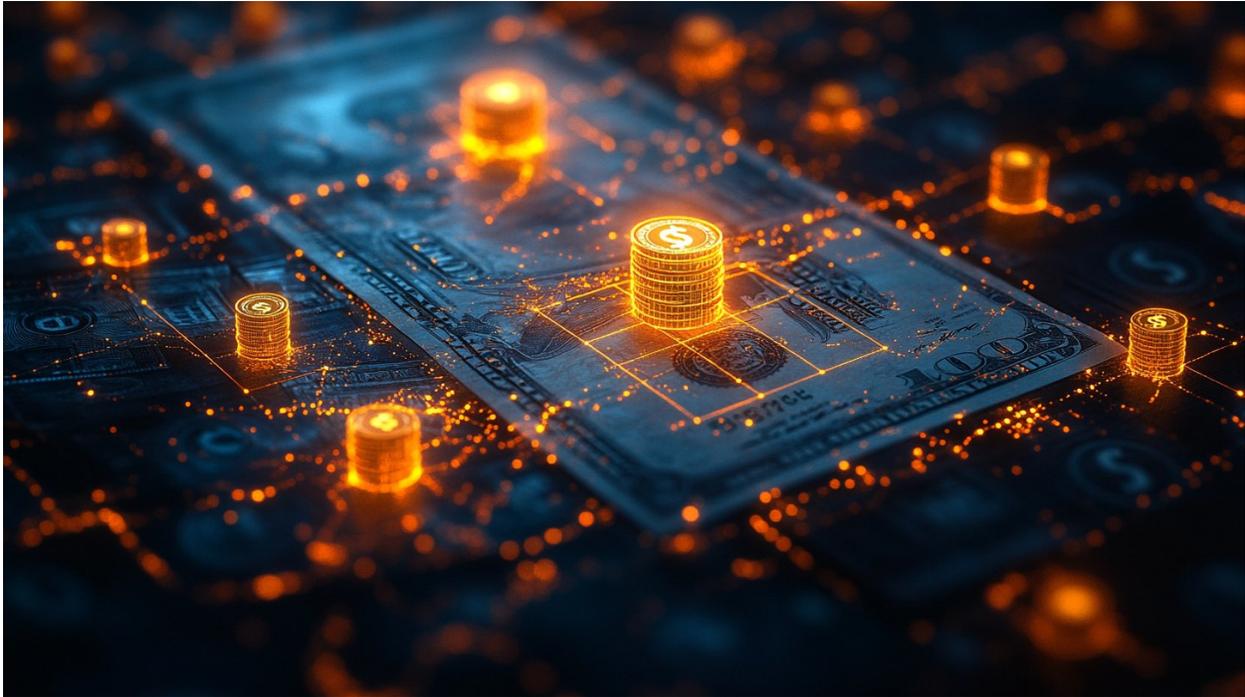


Figure 1: Digital dollars anchored to the traditional financial system: the GENIUS framework in visual form.

Definition of a Payment Stablecoin

The GENIUS Act defines a “payment stablecoin” as a digital asset that:

1. Is issued by a licensed stablecoin issuer
2. Is designed to be used as a means of payment or settlement
3. Is denominated in U.S. dollars
4. Represents an obligation of the issuer to redeem the asset at par value in U.S. dollars
5. Is backed by permissible reserve assets at a ratio of not less than 1:1

This definition explicitly excludes algorithmic stablecoins (no reserve backing), commodity-backed tokens (not denominated in dollars), and synthetic dollar instruments (no issuer redemption obligation). The precision of the definition is itself a regulatory innovation—previous proposals left sufficient ambiguity for creative compliance.

Permissible Reserve Assets

GENIUS Act Reserve Requirements (Exhaustive List)

The following—and *only* the following—qualify as permissible reserve assets:

1. **U.S. dollars** held as deposits at Federal Reserve Banks
2. **Demand deposits** at insured depository institutions (FDIC-insured banks)
3. **U.S. Treasury securities** with remaining maturities of 93 days or less
4. **Repurchase agreements** with maturities of 7 days or less, fully collateralized by U.S. Treasury securities
5. **Reserve deposits** at approved central bank facilities

No commercial paper. No corporate bonds. No money market fund shares. No crypto-collateral. No algorithmic mechanisms. No real estate, mineral rights, or commodity-linked instruments.

The 93-day maturity limit on Treasuries is a critical design choice. It constrains duration risk—the risk that rising interest rates reduce the market value of reserve assets below the redemption value of outstanding stablecoins. A portfolio of T-bills maturing within 93 days has negligible interest rate sensitivity; even a 500-basis-point rate shock would produce losses of less than 1.3% of face value ($\Delta P/P \approx -D \times \Delta y$, where $D < 0.25$ years).

This contrasts sharply with the Silicon Valley Bank failure in March 2023, where a portfolio of long-duration agency mortgage-backed securities and Treasury bonds generated unrealized losses exceeding \$15 billion when rates rose—ultimately triggering a bank run. The GENIUS Act’s maturity constraint is explicitly designed to prevent this failure mode.

Dual-Track Licensing Framework

The GENIUS Act creates a two-tier regulatory structure:

Criterion	Federal Track	State Track
Threshold	>\$10 billion in outstanding stable-coins	≤\$10 billion
Primary regulator	Office of the Comptroller of the Currency (OCC) or Federal Reserve	State banking regulator
Federal oversight	Direct	Federal Reserve retains backup authority
Reserve requirements	Identical	Identical
Disclosure	Monthly, public, independently verified	Monthly, public, independently verified
Examination	Regular federal examination	State examination with federal backup
Capital requirements	Risk-based, TBD by rulemaking	Comparable state-level requirements
Redemption	Must honor at par within 1 business day	Same

Table 1: GENIUS Act dual-track licensing framework

The dual-track structure mirrors traditional banking regulation (national vs. state charters) and serves multiple objectives: it preserves state regulatory innovation, provides a scalable path for smaller issuers, and ensures that the largest issuers—those whose failure could create systemic risk—are subject to federal prudential supervision.

Disclosure and Transparency Requirements

The GENIUS Act mandates:

- **Monthly reserve reports:** Public disclosure of the composition, valuation, and custodial arrangements of reserve assets, prepared by an independent accounting firm registered with the PCAOB.
- **Annual audit:** Full financial statement audit by an independent auditor.
- **Redemption rights:** Token holders have a legal right to redeem at par in U.S. dollars within one business day. This right survives issuer insolvency—reserve assets are bankruptcy-remote.
- **Priority claim:** In the event of issuer insolvency, stablecoin holders have a priority claim on reserve assets ahead of general creditors.

The monthly disclosure cadence is a significant departure from current practice. Tether provides quarterly attestations (not audits). Circle provides monthly attestations. Many smaller issuers provide nothing at all. Monthly independent verification creates a continuous transparency loop that makes reserve manipulation detectable within weeks rather than quarters.

Economic Analysis

The Narrow Bank Model

Under the GENIUS Act, a compliant stablecoin issuer is functionally a *narrow bank*—an institution that holds only the safest, most liquid assets against its liabilities. This is the banking model that economists from Irving Fisher (1936) to John Cochrane (2014) have advocated as a solution to banking panics: an institution whose assets are so safe that a “run” is economically irrational because the assets can always cover the liabilities at par.

The Narrow Bank Equivalence: A GENIUS-compliant stablecoin issuer with \$10 billion in outstanding tokens holds \$10 billion in T-bills, insured deposits, and overnight repos. Unlike a traditional bank, it does not lend, invest in risky assets, or engage in maturity transformation. The issuer’s balance sheet is, by construction, immune to credit risk, interest rate risk (given the 93-day cap), and liquidity risk. The only residual risks are operational (custodial failure, smart contract bugs) and counterparty (FDIC-insured bank failure, Treasury default).

The Issuer Economics: Seigniorage in the Digital Age

The GENIUS Act creates a highly profitable business model for compliant issuers. Consider the economics at scale:

Parameter	Illustrative Value
Outstanding stablecoin supply	\$50 billion
Weighted average yield on reserves (93-day T-bills)	4.50%
Gross annual reserve income	\$2.25 billion
Interest paid to token holders	\$0 (standard payment stablecoin)
Operating costs (custody, compliance, technology, audit)	~\$200–400 million
Net annual revenue	~\$1.85–2.05 billion
Net margin	~82–91%

Table 2: Illustrative issuer economics for a \$50B stablecoin at current Treasury yields

This is, in effect, *digital seigniorage*—the issuer captures the risk-free rate on the entire float while the token holder receives 0% yield in exchange for the utility of a programmable, instantly transferable dollar equivalent. The economics are analogous to a bank that funds itself entirely with non-interest-bearing demand deposits and invests exclusively in T-bills.

At current T-bill yields (~4.3–4.7%), a \$50 billion stablecoin generates over \$2 billion in annual revenue with minimal credit risk. Circle’s USDC and Tether’s USDT each exceed \$50 billion in circulation as of early 2026, suggesting that the largest issuers are already operating at these revenue levels.

The Yield Pressure Dynamic

The concentration of economic value at the issuer level creates an inevitable pressure dynamic. As the stablecoin market matures and institutional holders become a larger fraction of the user base, sophisticated participants will demand yield-sharing arrangements.

This pressure will likely manifest through:

- **Institutional rebate programs:** Large holders negotiate direct yield rebates, analogous to money market fund fee waivers for institutional share classes.
- **Yield-bearing wrapper tokens:** Separate regulated products that hold the underlying stablecoin and distribute reserve income, structured as securities under existing frameworks.
- **Competitive pressure among issuers:** New entrants differentiate by offering yield-sharing from launch, compressing margins for incumbents.
- **DeFi composability:** Lending protocols that deploy stablecoins into on-chain Treasury yield strategies, passing income to depositors.

The GENIUS Act itself does not require issuers to share yield—payment stablecoins are explicitly distinguished from securities. But market forces will eventually arbitrage the gap between the risk-free rate earned on reserves and the 0% paid to holders, particularly as institutional treasurers become comfortable treating compliant stablecoins as cash equivalents.

Monetary Policy Implications

Treasury Demand and the Short End of the Curve

The GENIUS Act’s reserve requirements create structural demand for short-term Treasury securities. If the total compliant stablecoin supply reaches \$500 billion—a plausible scenario by 2028–2030 given current growth trajectories—the reserve mandate would represent approximately \$400–450 billion in demand for T-bills and overnight repos.

Scale Context: As of early 2026, total U.S. Treasury bills outstanding are approximately \$6.1 trillion. A \$500 billion stablecoin market allocating 80–90% of reserves to T-bills would represent approximately 6–7% of the T-bill market. This is material but not dominant—comparable to the holdings of a large sovereign wealth fund or the Federal Reserve’s T-bill portfolio during QE operations.

The marginal demand effect would compress T-bill yields relative to other short-term rates, tightening the spread between T-bills and the Federal Funds rate. For monetary policy transmission, this creates a modest “stablecoin premium” in the short-term funding markets—a structural buyer that absorbs supply regardless of yield movements, similar to the effect of foreign central bank dollar reserve accumulation on Treasury yields.

Money Supply and Velocity Considerations

Stablecoins occupy an ambiguous position in the monetary aggregates. A GENIUS-compliant stablecoin backed by insured deposits is, from a monetary economics perspective, a claim on M1 money (the deposit) wrapped in a transferable digital token. A stablecoin backed by T-bills is a claim on a near-money asset that can be liquidated to produce M1 within one business day.

The Federal Reserve does not currently include stablecoins in official monetary aggregates. However, as stablecoin usage grows in commercial payments, trade settlement, and cross-border remittances, the effective money supply—the volume of dollar-denominated claims available for immediate spending—increases without a corresponding change in measured M1 or M2.

This has implications for monetary policy calibration. If \$500 billion in stablecoins circulate with velocity characteristics closer to electronic payments ($V \gg 1$) than to bank deposits ($V \approx 1$), the effective monetary impulse may be larger than the aggregate supply figures suggest. The Fisher equation ($MV = PQ$) implies that higher velocity at constant money supply is inflationary; the Fed may need to account for stablecoin velocity in its policy models as the market scales.

The Federal Reserve’s Digital Dollar Calculus

The GENIUS Act’s passage effectively deprioritized the Federal Reserve’s CBDC (Central Bank Digital Currency) research program. The political calculus is straightforward: if the private sector can deliver a regulated, dollar-backed digital payment instrument under federal supervision, the case for a Fed-issued retail CBDC weakens significantly.

However, the GENIUS framework creates a form of *synthetic CBDC*—digital dollar tokens backed by claims on the sovereign (Treasuries) or the banking system (insured deposits), issued by regulated private entities but functioning as a dollar payment layer. The distinction between a Treasury-backed stablecoin and a CBDC is primarily institutional (private issuer vs. central bank) rather than functional.

Market Structure Transformation

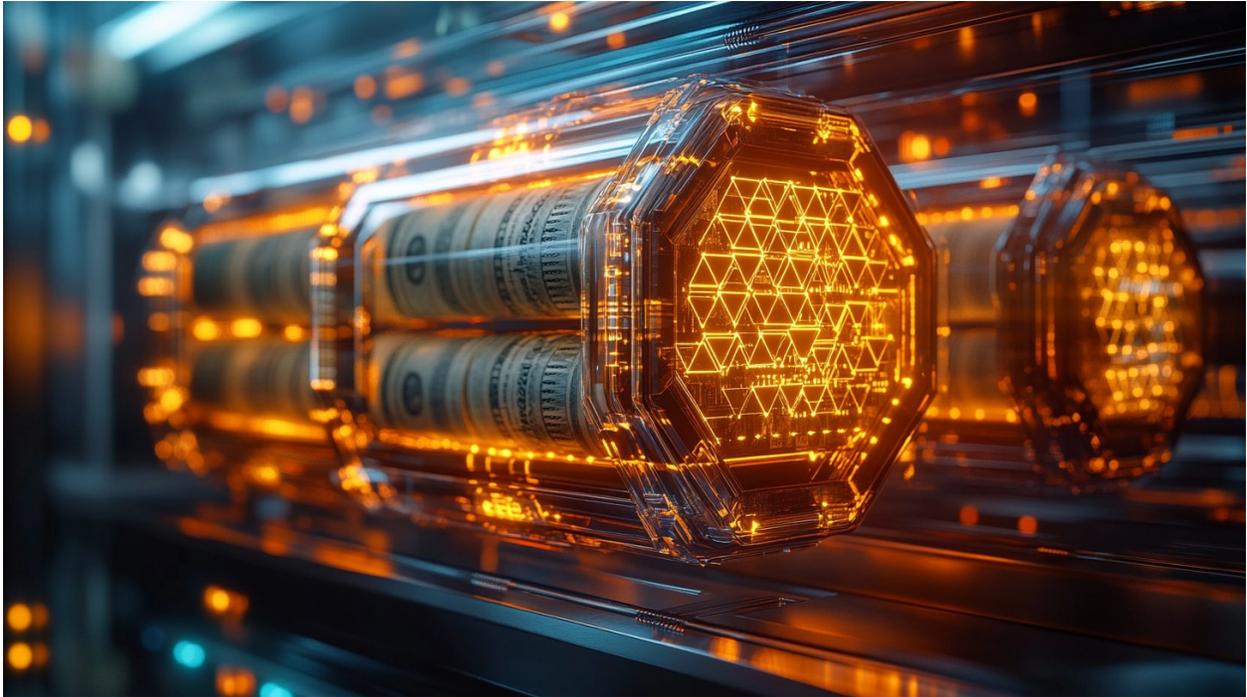


Figure 2: Compliant reserves secured in institutional-grade infrastructure: the post-GENIUS stablecoin architecture.

The Consolidation Thesis

The GENIUS Act’s compliance requirements—banking relationships, custody infrastructure, independent audits, legal counsel, and regulatory reporting—create significant barriers to entry and ongoing operating costs. These costs are largely fixed, creating economies of scale that favor larger issuers.

Compliance Cost Category	Annual Cost (Small Issuer)	Annual Cost (Large Issuer)
Banking and custody relationships	\$5–15 million	\$20–50 million
Independent monthly attestation	\$2–5 million	\$5–10 million
Annual financial audit (PCAOB)	\$1–3 million	\$3–8 million
Legal and regulatory counsel	\$3–8 million	\$10–25 million
Technology (smart contracts, on-chain compliance)	\$5–15 million	\$15–40 million
Staffing (compliance, risk, operations)	\$5–10 million	\$20–50 million
Total estimated annual compliance cost	\$21–56 million	\$73–183 million
Breakeven supply (at 4.5% yield)	\$0.5–1.2 billion	—

Table 3: Estimated GENIUS Act compliance costs and breakeven analysis

A small issuer needs approximately \$500 million to \$1.2 billion in outstanding stablecoins just to cover compliance costs from reserve income. This implies that the post-GENIUS market will consolidate around 5–10 major issuers, with a long tail of niche players serving specific use cases (enterprise settlement, DeFi integration, geographic specialization).

Institutional Adoption Acceleration

The single biggest barrier to institutional stablecoin adoption was regulatory uncertainty. A bank, asset manager, or corporate treasurer cannot build payment infrastructure on an asset whose legal status is undefined, whose reserves may be inadequate, and whose issuer could face an enforcement action at any time.

The GENIUS Act resolves each of these barriers:

- **Legal clarity:** A GENIUS-licensed stablecoin has a defined legal identity, a regulated issuer, and an enforceable redemption right. Corporate treasury policies can classify it alongside money market instruments.
- **Reserve adequacy:** The 1:1 backing requirement with Treasuries and insured deposits eliminates credit and duration risk from the reserve portfolio. No “breaking the buck” scenario under normal conditions.
- **Regulatory predictability:** Licensed issuers operate under a known supervisory framework with established examination procedures. The risk of arbitrary enforcement action is replaced by a predictable compliance regime.

- **Bankruptcy remoteness:** Reserve assets are ring-fenced from the issuer’s general estate. Token holders have priority claims. This structure is comparable to a money market fund’s segregated asset pool.

Payment Rails Integration

Compliant stablecoins are positioned to integrate with existing payment infrastructure at multiple levels:

Cross-border payments: Current cross-border wire transfers via SWIFT/correspondent banking take 1–5 business days and cost \$25–50 per transaction. A stablecoin payment settles in seconds to minutes at negligible marginal cost. For trade finance, remittances, and multinational treasury operations, the efficiency gain is transformative.

B2B settlement: Businesses exchanging large-value payments can settle in stablecoins with immediate finality, eliminating the 1–3 day settlement lag in ACH and wire transfers. Smart contract escrow enables conditional payments that execute automatically upon delivery confirmation, quality verification, or other triggers.

Payroll and disbursements: Real-time payroll disbursement in stablecoins—particularly for gig economy workers, international contractors, and unbanked populations—eliminates the float that employers currently capture between payroll processing and employee access.

Programmable compliance: On-chain compliance rules can enforce sanctions screening, transaction limits, and geographic restrictions at the protocol level, reducing the compliance burden on downstream users while maintaining regulatory requirements.

Strategic Implications: Digital Dollar Hegemony

The Dollar’s Network Effect in Digital Form

Every GENIUS-compliant stablecoin is, by construction, backed by dollar-denominated assets held within the U.S. financial system. The reserve mandate ensures that growth in stablecoin adoption directly translates to growth in demand for U.S. Treasuries and deposits in U.S. banks.

As stablecoin usage expands globally—particularly in economies with unstable local currencies, limited banking access, or restrictive capital controls—the GENIUS framework effectively extends dollar hegemony into digital payment networks. This is not an incidental effect; it is a core policy objective of the legislation.

The Strategic Logic: In the 20th century, dollar dominance was maintained through the petrodollar system (oil priced in dollars), the Bretton Woods institutional framework, and the depth and liquidity of U.S. capital markets. In the 21st century, GENIUS-compliant stablecoins add a fourth pillar: the digital dollar layer. Every smartphone with a stablecoin wallet becomes a node in the dollar payment network, regardless of whether the user has a U.S. bank account.

Competitive Landscape: China’s e-CNY and the EU’s MiCA

The GENIUS Act does not exist in a geopolitical vacuum. China’s digital yuan (e-CNY) pilot, launched in 2020, represents a state-controlled alternative to dollar-denominated digital payments. The European Union’s Markets in Crypto-Assets Regulation (MiCA), implemented in 2024, creates a parallel regulatory framework for euro-denominated stablecoins.

The competitive dynamics are clear:

Feature	GENIUS (U.S.)	MiCA (EU)	e-CNY (China)
Issuer	Private, licensed	Private, licensed	People’s Bank of China
Backing	Treasuries/deposits	Bank deposits/govts	Central bank liability
Privacy	Pseudonymous on-chain	KYC-gated	Full state surveillance
Programmability	Smart contract native	Limited	State-controlled
Global reach	Permissionless	Restricted	Bilateral agreements
Yield to issuer	Risk-free rate	ECB rate	N/A (sovereign)

Table 4: Comparative regulatory frameworks for digital currencies

The U.S. model’s comparative advantage is composability: GENIUS-compliant stablecoins integrate with the existing DeFi ecosystem, programmable smart contracts, and permissionless blockchain networks. China’s e-CNY offers state-guaranteed settlement but at the cost of full surveillance and centralized control. Europe’s MiCA framework is comprehensive but restrictive, with transaction caps on non-euro stablecoins that may limit adoption.

Residual Risks and Open Questions

The GENIUS Act addresses the most catastrophic stablecoin failure modes—inadequate reserves, opaque disclosure, and algorithmic instability. However, several material risks remain:

Operational and Smart Contract Risk

Reserve quality does not eliminate the risk of smart contract vulnerabilities, bridge exploits, or custodial failures. A stablecoin with \$50 billion in T-bill reserves is worthless to a holder whose tokens were stolen through a smart contract exploit. The GENIUS Act’s regulatory framework addresses reserve risk but does not comprehensively address technological risk.

Concentration Risk in Banking Relationships

The reserve requirement to hold insured deposits at U.S. banks creates concentration risk. If the majority of stablecoin reserves flow to a small number of large custodian banks, a failure or operational disruption at one bank could impair redemption across multiple stablecoin issuers simultaneously. The GENIUS Act does not prescribe diversification requirements for banking relationships.

FDIC Insurance Limitations

FDIC insurance covers \$250,000 per depositor per institution. A stablecoin issuer with \$10 billion in deposit reserves cannot be fully FDIC-insured at a single bank. Pass-through insurance structures may apply if token holders are treated as beneficial owners, but the legal analysis is untested at scale. The GENIUS Act contemplates this issue but defers resolution to regulatory rulemaking.

Interest Rate Regime Dependence

The issuer economics described in Section 4 depend critically on a positive-yield environment. In a zero or negative interest rate regime (as experienced from 2009–2022), reserve income collapses while compliance costs remain fixed. Issuers would need to impose fees on token holders to remain solvent—a model that may reduce adoption. The GENIUS Act does not address issuer viability in a zero-rate environment.

Offshore Regulatory Arbitrage

The GENIUS Act applies to U.S.-licensed issuers but cannot directly regulate offshore stablecoin issuers serving U.S. users through decentralized protocols. The extent to which unlicensed offshore stablecoins can compete with GENIUS-compliant tokens depends on enforcement effectiveness and the willingness of exchanges, DeFi protocols, and payment processors to restrict non-compliant instruments.

Investment Implications

For Institutional Investors

1. **The stablecoin market is expanding, not contracting.** Regulatory clarity removes the existential uncertainty that suppressed institutional participation. The total addressable market expands from crypto-native users to the entire digital payments ecosystem. Conservative estimates project total stablecoin supply exceeding \$500 billion by 2028, with upside scenarios exceeding \$1 trillion.
2. **Compliance is a structural moat.** GENIUS licensing, banking relationships, custody infrastructure, and regulatory approval are expensive and time-consuming to replicate. First-movers in the compliance race gain advantages that compound over time as network effects accumulate.
3. **The infrastructure layer is the highest-conviction bet.** Regardless of which specific stablecoins succeed, the compliance infrastructure—on-chain verification, reserve attestation, AML/KYC integration, cross-chain bridging, and institutional custody—faces structural demand growth. Companies building this layer are positioned similarly to the “picks and shovels” suppliers during previous infrastructure buildouts.
4. **Treasury market effects are investable.** The structural demand for short-term Treasuries from stablecoin reserves will compress T-bill yields relative to other short-term

instruments. This creates relative value opportunities in the money market complex and implications for fixed income portfolio construction.

For Policymakers

1. **Monitor the velocity question.** As stablecoin usage scales, the Federal Reserve will need to incorporate stablecoin velocity into its monetary policy models. The current exclusion from monetary aggregates will become increasingly inadequate.
2. **Address the FDIC insurance gap.** Pass-through insurance for stablecoin holders requires regulatory clarification before a crisis forces an improvised response.
3. **Coordinate internationally.** The GENIUS-MiCA-e-CNY competition will shape the future of global digital payments. Interoperability standards, mutual recognition frameworks, and anti-arbitrage coordination are needed to prevent fragmentation.
4. **Prepare for zero-rate viability.** The next economic downturn may test issuer economics. Contingency frameworks for stablecoin issuer distress should be developed before they are needed.

Conclusion

The GENIUS Act represents the most consequential piece of cryptocurrency legislation in U.S. history. By establishing clear reserve requirements, mandatory disclosure, and a dual-track licensing framework, it transforms stablecoins from an unregulated experiment into a supervised financial product—and in doing so, creates the regulatory foundation for a digital dollar payment layer with global reach.

The “So What?” for investors, policymakers, and market participants is threefold:

First, the stablecoin market is about to grow substantially. Regulatory clarity unlocks institutional capital that has been waiting on the sidelines. The question is no longer whether stablecoins will be regulated, but how quickly the market scales under the new framework.

Second, compliance is the new competitive battleground. The era of creative reserve compositions and opacity is over. Winners will be issuers who combine regulatory rigor with technological excellence and network effects.

Third, the strategic implications extend far beyond cryptocurrency. GENIUS-compliant stablecoins are a vehicle for extending U.S. dollar dominance into digital payment networks worldwide. Every stablecoin wallet is a node in the dollar system. The geopolitical consequences of this expansion—and the competitive responses from China, Europe, and others—will shape the international monetary architecture for decades.

The 1:1 backing requirement is not merely a consumer protection measure. It is the architectural decision that makes all of the above possible. By anchoring digital dollars to the safest assets in the global financial system, the GENIUS Act ensures that the stablecoin layer inherits the credibility of the U.S. Treasury—and transmits that credibility to every user, in every country, on every blockchain.

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