

Printing Without the Printer

Stablecoins, Regulatory Relief, and the
Re-Architecture of U.S. Treasury Absorption



Watch the dove.

Dr. Gregory S. Carmichael, DBA

Quantum Reserve Capital • CryptoSoWhat

Revised Edition, September 3, 2026

First edition July 5, 2026

Abstract. The most-watched chart in finance — the Federal Reserve’s balance sheet — is a poor guide to where U.S. deficit financing now runs. This paper assembles public evidence that three developments of 2025–2026 interact to route more of that financing through private balance sheets: statutory demand for eligible safe and liquid assets under the GENIUS Act, a recalibration of leverage standards that reduces disincentives to Treasury market intermediation, and bill-tilted issuance — with a Federal Reserve repo facility, freed of its aggregate operation cap in December 2025, standing behind the arrangement. The paper’s central analytical claim is a scope constraint, and it turns on a distinction that is easy to miss. The configuration has two layers. A *private absorption layer* — stablecoin reserve demand, bank and dealer intermediation capacity, and Treasury issuance composition — expands the private sector’s capacity to hold government debt and *creates no bank reserves*. A separate *official reserve layer* — outright purchases, the Standing Repo Facility, the discount window — does create them, and conflating the two is the error most accounts of this arrangement make. Applied to the Federal Reserve’s own weekly release, the paper’s master equation reproduces the year’s change in reserve balances to the reported million, and shows, that net reserve balances fell \$300.0 billion even though Fed bill holdings rose \$346.5 billion, because non-reserve liabilities — principally the Treasury General Account, up \$363.6 billion — grew by more than net assets. We present the private credit redemption cycle as a *candidate* disinflation channel, present a stylized stress-state schematic of the Fed’s balance-sheet path — low drift with possible stress-state jumps — and close with markers scored individually rather than in aggregate. The argument uses only public data and public law; its novelty is the assembly.

JEL: E42, E51, E58, G21, G23, H63. **Keywords:** stablecoins; monetary plumbing; bank reserves; reserve conservation; quantitative tightening; private credit; financial repression; Treasury bills.

Status. This is a **Revised Edition**, not a silent replacement. The first edition of 5 July 2026 remains historically traceable; Appendix B records every claim withdrawn or corrected since.

Disclosed conflicts. The author is Chief Executive Officer of Quantum Reserve Capital, whose QReST platform is being developed for compliance with the GENIUS Act. A policy environment that expands statutory demand for eligible reserve assets is directly favorable to that project’s economics, and the reader should weigh §6 with that interest in view. This paper is educational market commentary, not investment, legal, or tax advice.

Sourcing standard. Every *empirical* quantitative claim is either sourced to a public release or derived from one, and every derivation states its assumptions. Quantities written as words rather than digits (“one-for-one”, “several times the cap”) are governed editorially, not by the automated provenance check, which reads digit-form literals. Author-defined thresholds and conventions — the scoring criteria in §9, and the bill-tilt definition in §1 — are chosen, not observed, and are identified as such rather than presented as findings. Where a value could not be verified against a primary artifact for this paper, it is marked [*unverified*] in the text and listed in Appendix A. An unverified value is not a disputed value; it is one whose source has not yet been re-pulled, and the reader is entitled to know which is which.

Series conventions. Constants shared across the CryptoSoWhat Structural Series are defined once and propagated. Where this paper states a price or share, it names the benchmark series. Where a later paper in the series

grades a claim made here, it must grade the claim as written, matching period and data object.

1. The Malformed Question

Ask when the Federal Reserve will “start printing money” and you have already accepted a framing that expired in December 2025. In the fourth quarter of 2025, secured overnight funding rates rose to their widest spreads above the Fed’s administered rate since 2020 — the classic symptom of reserve scarcity. The subsequent policy sequence was swift: the end of quantitative tightening was announced at the October FOMC, effective December 1, and on December 10 the FOMC directed the Desk to increase SOMA holdings to maintain an ample level of reserves through secondary-market purchases of Treasury bills, labeled “reserve management purchases.” The first monthly schedule, released December 11, totaled approximately \$40.0 billion in bills, with purchases beginning December 12.¹ Monthly amounts are announced around the ninth business day of each month; the Desk said the pace would stay elevated for a few months and then be significantly reduced. Balance-sheet expansion and reserve creation had resumed. Whether that constitutes “printing” is an interpretive question, not a classification: the Federal Reserve distinguishes reserve management purchases from quantitative easing on purpose, the former maintaining ample reserves and rate control, the latter intended to ease broader financial conditions by removing duration. This paper uses “printing” as shorthand for the functional result and flags it as the author’s reading, not as an official category.

The interesting question is therefore not *when* but *through what plumbing* the next trillions of *Treasury financing* will run — and whether they will appear on the chart everyone watches. The broader noun matters: as §6.2 sets out, only some of these channels create monetary liabilities, and the paper reserves “monetary expansion” for those. This paper argues that a large part of it will not. Three developments of 2025–2026 *interact* to expand the private sector’s capacity to hold government debt: the GENIUS Act’s requirement that permitted payment stablecoin issuers hold reserves of at least one-for-one in a defined menu of eligible assets — currency and money credited to an account at a Federal Reserve Bank, demand deposits, Treasury bills, notes or bonds with a remaining maturity of 93 days or less, overnight repo backed by such bills, overnight reverse repo collateralized by Treasuries, and qualifying government money market funds (§6.1); a recalibration of leverage standards intended to reduce disincentives to Treasury market intermediation (§6.5); and bill-tilted Treasury issuance — by which this paper means bills exceeding 20% of marketable Treasury debt outstanding, so the term is reproducible rather than merely descriptive. [*Issuance-composition source is a retrieval target; see Appendix A.*] Call that ensemble the *private absorption configuration*.

Separately — and this boundary matters enough that §1.2 is devoted to it — the Federal Reserve’s Standing Repo Facility had its *aggregate* operational limit removed effective December 11, 2025, moving to full allotment. What remains is a maximum per-proposition amount of \$40.0 billion, one proposition per security type at each of two daily operations, plus counterparty and collateral restrictions.² The facility sits in the *official reserve layer*, not in the private absorption configuration, because a repo creates reserves and none of the three developments above does.

A word on intent. This configuration is often described as a “*stealth architecture*” that is “*flat by design*”, with a chart whose suppression is “*the architecture’s purpose*” Those are claims about institutional intent, and the public record does not support them. What the record supports is an *interacting policy configuration* whose combined effect is to route more government

¹Federal Reserve Bank of New York, “Statement Regarding Reserve Management Purchases Operations,” December 10, 2025, https://www.newyorkfed.org/markets/opolicy/operating_policy_251210a.

²Federal Reserve Bank of New York, “Statement Regarding Standing Overnight Repo Operations,” December 10, 2025, https://www.newyorkfed.org/markets/opolicy/operating_policy_251210.

financing through private balance sheets. Whether anyone designed it to be inconspicuous is not established, and this paper does not assert it. The effect is the finding; the motive is not.

1.1 Six distinctions the argument depends on

Accounts of this configuration routinely blur six things. Each is a distinction the argument below actually turns on, so each is stated once here.

1. **Total reverse repos, not the overnight pool.** The balance-sheet identity requires *total* reverse repurchase agreements. Substituting the domestic overnight line understates the drain by roughly \$355.5 billion. §3.1.
2. **Headroom is not a change in headroom.** A leverage-relief calculation that computes post-relief capacity and calls it the *increase* in capacity has forgotten to subtract the starting point. §6.5.
3. **No reserve threshold is identified.** A level associated with past failures is not a revealed system-wide minimum. This paper names none. §3.2.
4. **Redemption requests do not queue.** A gated fund's unfilled requests do not contractually carry over, so no backlog accumulates and no clearing time is identified. §5.1.
5. **The leverage exclusion was never enacted.** The November 2025 rule recalibrates; it does not exclude reserves and Treasuries from the denominator. §6.5.
6. **The repo facility creates reserves.** Any claim that this architecture creates none must exclude the facility from its scope, or it contradicts itself. §1.2.

Section 3.3 tests the paper's central conservation claim against a full year of published data, and Section 9 scores the markers this series has registered, including one that has not fired.

1.2 Two layers, named separately

The most important distinction in this paper is structural. It is commonly asserted that *no component of this architecture creates a single bank reserve*, while the architecture is defined to include the Standing Repo Facility. A Federal Reserve repurchase agreement creates reserve balances for the life of the repo. The claim contradicts its own scope.

Private absorption layer	Official reserve layer
GENIUS-eligible stablecoin reserve demand	Outright purchases, which settle into reserves
Bank and dealer intermediation capacity	Standing Repo Facility
Treasury issuance composition	Discount window
	FIMA repo facility
<i>Creates no bank reserves.</i>	<i>Creates bank reserves.</i>

The distinction is not a modelling convenience. The New York Fed states it directly: a Desk repo purchase “increases the amount of deposits held by depository institutions (also known as bank reserves) on the Federal Reserve’s balance sheet for the duration of the repo.”³ A facility that does that cannot sit in a layer defined by creating no reserves.

³Federal Reserve Bank of New York, *FAQs: Standing Repurchase Agreement Operations*, <https://www.newyorkfed.org/markets/repo-agreement-ops-faq>.

A fourth official facility belongs in the right-hand column and is easily overlooked. The Foreign and International Monetary Authorities repo facility, standing since July 2021, lets a foreign central bank obtain dollars against Treasury securities *maintained in custody at the New York Fed* — expressly, in the Board’s words, as a source of dollars “*other than sales of the securities in the open market*”, subject to a per-counterparty limit of \$60.0 billion.⁴ Like the Standing Repo Facility it is a repo, and like the Standing Repo Facility it therefore sits in the reserve-creating layer.

The conservation claim in §7.1 attaches to the private layer only. The empirical finding in §3.3 is correspondingly narrower and, this paper argues, more interesting: not that the Federal Reserve created no reserves, but that *net* reserve balances fell even as it bought, because non-reserve liabilities grew by more.

At the Dinner Table

Imagine the government has a large credit card bill and, historically, one very visible way of covering it: the central bank buys the debt, and everyone watches its balance sheet grow on a famous chart. Now imagine the government instead passes a law saying every issuer of “digital dollars” must keep the money people give them in a short list of very safe assets — short-term government IOUs among them, though not only those — and separately eases a capital rule so banks are less discouraged from dealing in government debt. The bill still gets paid. The debt can still be absorbed privately, and depending on the transaction, spendable claims may expand or simply change form. But the famous chart barely moves, because more of the holding is being done by private hands. That is the configuration this paper describes. The rest of it is about what that arrangement cannot do, and about one thing the government still has to do itself.

2. A Plain-Language Toolkit

Plain-Language Toolkit **Bank reserves.** Deposits commercial banks hold at the Fed — the settlement money of the banking system. Only the Fed can create them. This sentence is the paper’s fulcrum.

QE / QT. Quantitative easing: the Fed buys securities; the purchase creates reserves at settlement. Quantitative tightening: the Fed lets securities mature without replacement, reducing assets. All else equal that tends to reduce reserve balances, though the offsetting liability adjustment can fall elsewhere on the balance sheet depending on flows.

TGA. The Treasury General Account, the government’s checking account at the Fed. All else equal, a dollar moved into the TGA is a dollar drained from bank reserves — the offset can come from elsewhere on the balance sheet.

Two reverse repo pools — do not merge them. The Fed’s H.4.1 reports *total* reverse repurchase agreements, split into an *others* line — the closest published proxy for the domestic overnight pool, though not formally the ON RRP operational series — and a much larger pool held by *foreign official and international accounts*. Both drain reserves

⁴Board of Governors, *Foreign and International Monetary Authorities (FIMA) Repo Facility*, <https://www.federalreserve.gov/monetarypolicy/fima-repo-facility.htm>; FRBNY operating policy, 28 July 2021.

identically — the Federal Reserve describes a reverse repo as reducing reserve balances and increasing reverse repo obligations while the trade is outstanding.^a Only the first behaved as a counter-cyclical buffer, and only the first is exhausted. Substituting one for the other produces an error of several hundred billion dollars.

SOFR / IORB. SOFR is the market rate for overnight borrowing secured by Treasuries; IORB is the rate the Fed pays on reserves. When SOFR trades persistently above IORB, cash has become scarce — the plumbing’s warning light.

Stablecoin. A digital token redeemable one-for-one for dollars, backed under the GENIUS Act by reserves of at least one-for-one in a defined set of eligible assets — currency and money credited to a Federal Reserve account, demand deposits, Treasury bills, notes or bonds with 93 days or less remaining, overnight repo and reverse repo against Treasury collateral, and qualifying government money market funds among them. Bills are one category, not the whole requirement (§6.1).

SLR. The supplementary leverage ratio: a capital requirement proportional to a bank’s total size regardless of asset risk. It can constrain the balance sheet a dealer devotes to Treasuries *when the leverage ratio is the binding capital constraint*; recalibration can reduce that disincentive (§6.5).

Private credit / BDC / gate. Loans made by funds rather than banks; a BDC is a fund vehicle for such loans. A “gate” limits the liquidity available in each tender window, commonly 5%^[ul] per quarter. Unfilled investors may have to submit again in a later window; requests do not contractually carry over (§5.1).

^aBoard of Governors, *Overnight Reverse Repurchase Agreement Operations*, <https://www.federalreserve.gov/monetarypolicy/overnight-reverse-repurchase-agreements.htm>.

3. The State of the Plumbing

3.1 The identity, stated correctly

The Fed’s balance sheet obeys an accounting identity. Assets A (securities plus lending) must equal liabilities *and capital*: reserves R , currency C , the Treasury’s account TGA , reverse repurchase agreements, and a residual O that collects all remaining liabilities *and capital accounts*. The reverse repo term must be the *total*, and it is useful to carry its two components separately because they behave differently:

$$A = R + C + TGA + \underbrace{RRP^{\text{OTH}} + RRP^{\text{FOR}}}_{RRP^{\text{TOT}}} + O \quad (1)$$

$$\implies \Delta R = \Delta A - \Delta C - \Delta TGA - \Delta RRP^{\text{TOT}} - \Delta O. \quad (2)$$

Equation (2) is the master equation of this paper. Bank reserves — the system’s settlement liquidity — can only rise if the Fed’s assets grow faster than the drains. **Nothing in private law or private finance appears on its right-hand side.** A useful summary statistic is net liquidity,

$$NL = A - TGA - RRP^{\text{TOT}}, \quad (3)$$

which is a **market-liquidity heuristic** rather than a measure of cash available to anyone. It is useful for tracking direction; it is not an accounting quantity and nothing in this paper rests on its level.

The current readings, from the H.4.1 released August 27, 2026 for the week ended August 26:⁵ total assets \$6.73 trillion; reserve balances \$2.92 trillion; TGA \$959.4 billion; total reverse repos \$356.2 billion, of which foreign official and international accounts \$355.5 billion and others \$702 million. *The “others” line is used here as the closest published proxy for the domestic overnight pool; it is not formally the ON RRP operational series, which is reported separately.*

Three facts follow.

The buffer that cushioned much of QT is gone; the pool that replaced it in size is not a buffer. The ON RRP facility peaked near \$2.50 trillion^[u] and now holds a small fraction of that. That shock absorber is exhausted. But the foreign official reverse repo pool stands near \$355.5 billion and *rose* \$8.7 billion year-over-year while total reverse repos fell. Reverse repo balances in either pool can change; what this year shows is narrower and cleaner: *unlike ON RRP, the foreign official pool provided no offset over the period — it rose rather than fell.* One observed year does not establish immobility, and the paper does not infer it.

Drains now land on reserves more directly than before. With the counter-cyclical buffer spent, QT, TGA rebuilds and quarter-end window dressing have fewer places to be absorbed. Not *every* drain hits reserves — the identity permits offsets elsewhere — but the margin for absorption elsewhere has narrowed.

Reserve demand is not observable; it is revealed by the spread. Let

$$s = \text{SOFR} - \text{IORB}, \quad s = f\left(\frac{R}{\text{bank assets}}\right), \quad f' < 0, f'' > 0, \quad (4)$$

a convex demand curve: the spread is flat and near zero while reserves are ample, then rises non-linearly as reserves approach the lowest comfortable level. The warning light stays dark until shortly before the engine seizes. The fourth quarter of 2025 was consistent with that shape — s reached its widest since 2020, and within weeks the Fed ended QT and began buying bills.

3.2 On thresholds, and why this paper names none

Reserves near “\$3.0T” are often said to sit at the level associated with the March 2023 regional-bank failures, and that level is sometimes called a revealed “scar line”. This paper names no such threshold, in level or ratio form.

The 2023 failures were institution-specific duration and deposit-run events. They are not a controlled experiment establishing a system-wide minimum reserve ratio, and treating them as one reads a threshold out of a sample of idiosyncratic failures. The Federal Reserve itself describes reserves as moving within an *ample range*, inferred from several money-market indicators rather than from any single scaled ratio.

Equation (4) survives, but only as a **stylized reduced-form relationship**: the spread is flat while reserves are ample and rises non-linearly as they become scarce, which is why plumbing stress appears sudden. It is not a one-variable structural law and it identifies no threshold. What can be said without a threshold is enough: the counter-cyclical buffer is spent, the drains are large, and the convexity means the warning arrives late.

3.3 Testing the conservation claim against a year of data

The paper’s central analytical claim, scoped as §1.2 requires, is that no component of the *private absorption layer* creates bank reserves. The official layer does. What a year of published data

⁵Federal Reserve, *Factors Affecting Reserve Balances — H.4.1*, August 27, 2026, <https://www.federalreserve.gov/releases/h41/current/>. Wednesday values, Table 5.

can show is the net effect of the two together. The reconciliation is worth running in public because it can fail — though not in the way that phrase usually implies. The identity cannot fail; it is true by construction. What can fail is the *implementation*: the mapping from H.4.1 lines into the identity, the inclusion of every liability and capital category, the sign conventions, and the arithmetic. That is exactly what the regression test protects.

Applying Equation (2) to the year-over-year changes reported in the August 27, 2026 H.4.1:

Term (change, Aug 27 2025 → Aug 26 2026)	\$millions
ΔA total assets	+127,528
ΔC Federal Reserve notes, net	+69,988
ΔRRP^{TOT} reverse repurchase agreements	−36,997
ΔTGA Treasury General Account	+363,637
foreign official deposits	+24
other deposits	+23,716
deferred availability cash items	−306
Treasury contributions to credit facilities	−2,029
other liabilities and accrued dividends	+7,584
capital accounts	+1,938
Implied ΔR from Equation (2)	−300,027
Reported change in reserve balances	−300,027

The identity closes to the reported million. H.4.1 is published in millions of dollars with rounding, so “to the dollar” would overstate the precision available. An identity is in any case guaranteed to close; the arithmetic is not the finding. The *decomposition* is:

Over the year to August 26, 2026, net reserve balances fell \$300.0 billion even though Federal Reserve bill holdings rose \$346.5 billion, because non-reserve liabilities — principally the Treasury General Account, up \$363.6 billion — grew by more than net assets.

State plainly what this does *not* say. It does not say the Federal Reserve created no reserves: outright purchases create reserves at settlement. Nor does it trace particular reserves to particular drains — endpoint data cannot establish that sequencing. What it establishes is an offset in changes over the period: *reserve creation associated with purchases was more than offset by increases in non-reserve liabilities, principally the TGA*. The net is what the banking system has to settle with. Note also the composition: bills rose \$346.5 billion while nominal notes and bonds rose \$35.3 billion. The composition of the increase sits almost entirely at the front end. Note the limit: an H.4.1 holdings change is not a gross transaction series, so this describes where the stock grew, not what was bought.

So What?

The Fed’s stated preference under Chair Warsh is a smaller balance sheet. The arithmetic of Equation (2) — a spent ON RRP buffer, a \$959.4 billion Treasury General Account, and reserves falling \$300.0 billion despite a \$346.5 billion increase in Fed bill holdings — says the opposite is structurally loaded. A further drain event would push *s* up the convex curve in Equation (4). The Q4 2025 episode is suggestive but should not be read as a one-to-one reaction function: the New York Fed’s own account is that the purchases were

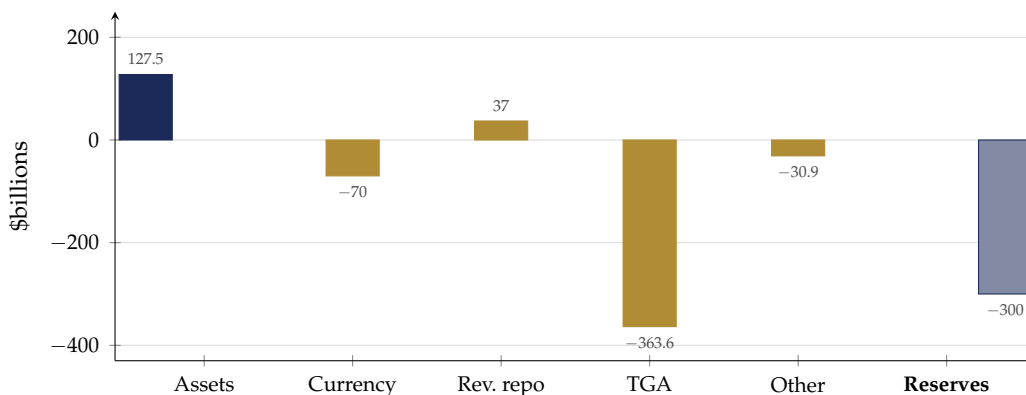


Figure 1. Reserve conservation, demonstrated. Contributions to the change in bank reserves under Equation (2), year to August 26, 2026, signed as they enter the identity. Assets grew \$127.5 billion — of which \$346.5 billion was bills — and reserves still fell \$300.0 billion, because non-reserve liabilities, principally the TGA at \$363.6 billion, grew by more. Source: Federal Reserve H.4.1, August 27, 2026, Table 5. *Purchases create reserves at settlement; over this period the increase in non-reserve liabilities exceeded the increase in net assets.*

sized to accommodate projected trend growth in demand for Federal Reserve liabilities as well as seasonal fluctuations such as those driven by tax payment dates, and that the elevated pace was explicitly *prospective* — set to offset expected large increases in non-reserve liabilities in April. Quarter-ends remain the scheduled stress tests.

4. Balance-Sheet Dominance: How Treasury Scale Can Raise the Liquidity Floor

A structural force may operate beneath the cyclical one. This section states it as the paper’s named **hypothesis** and registers the observables that would confirm or refute it. It is not a theorem, and is not stated as one.

4.1 The hypothesis

Growth in Treasury supply and in leveraged Treasury intermediation can raise demand for dealer balance sheet, repo financing and settlement liquidity. If private intermediation capacity does not expand commensurately, the reserve level consistent with stable money-market control may rise.

The intuition is that federal deficits near \$2.00 trillion^[u] a year are increasingly held by leveraged investors — notably relative-value funds running the cash–futures basis trade — who finance those positions in repo. Their financing demand plausibly scales with the debt stock:

$$\text{Repo demand}_t \approx \lambda_t \cdot \text{Debt}_t. \quad (5)$$

4.2 Why the supply side is broader than banks’ spare cash

Private repo supply is sometimes described as essentially banks’ spare cash, bounded by reserves, making the central bank the “only elastic supplier” so that fiscal needs *determine* a floor under the Fed’s size. That is too narrow on both counts.

Repo funding comes from a considerably broader ecosystem than reserve-funded bank cash: money market funds, the GSEs and Federal Home Loan Banks, securities lenders, sponsored-repo participants and other institutional cash pools all supply it. Dealer balance-sheet capacity and reserve abundance matter, but they are not the whole supply function. Nor is λ_t shown to be a monotonically rising structural parameter; it is written with a time subscript here because it is a ratio that may move, not a constant that must climb.

What survives is conditional and worth stating carefully. *If* intermediation capacity does not expand with Treasury supply, the market can still clear through higher repo rates and yields, through basis-position unwinds and deleveraging, through portfolio reallocation, or through changes in issuance and intermediation. The central bank *may* become the marginal backstop, if policymakers choose to preserve rate control or market functioning. That is a policy choice, not an accounting necessity, and a chair who wishes to shrink the balance sheet is choosing against that current rather than being overruled by it.

Balance-sheet dominance — registered observables

The hypothesis is scored on these, not asserted:

- sponsored-repo cleared volume,
- basis-trade positioning (CFTC futures, primary dealer data),
- dealer Treasury inventory,
- SOFR less IORB,
- Standing Repo Facility usage,
- reserve balances.

Confirmation looks like rising repo volumes and dealer inventory alongside a rising spread at unchanged reserves. Refutation looks like intermediation capacity expanding to meet supply with the spread flat.

5. The Private Credit Squeeze: A Candidate Disinflation Channel

5.1 The Blue Owl case study

Private credit — roughly \$1.70 trillion^[u] of loans made by funds rather than banks — was engineered to be run-proof: capital is locked or semi-liquid, and retail-facing non-traded BDCs carry quarterly redemption gates. Blue Owl Capital's 2026 experience shows both the design working and its costs. In Q1 2026 investors tendered **21.9%**^[u] of the flagship \$33.8 billion^[u] fund (OCIC) and **40.7%**^[u] of the \$4.9 billion^[u] technology fund (OTIC); requests eased to 18.8%^[u] and 38.1%^[u] in Q2. Both funds applied the **5%**^[u] **per quarter** cap. *[Redemption percentages and fund sizes are sourced to press reporting. Pulling the source revealed a denominator ambiguity — the OTIC first-quarter figure appears as a share of total assets in some reports and of shares outstanding in others — and the fund sizes vary by measure. Both remain unresolved pending the filings; see Appendix A.]*

There is no backlog equation. The gate is often modelled as a run-to-queue converter, with unfilled requests accumulating as a backlog $B_{t+1} = B_t + \rho_t S_t - c S_t$ and a clearing time $B_t / (c S_t)$. The fund's own filed materials contradict the premise: unfulfilled repurchase requests

do not carry over. An investor whose request is not filled must submit a new request in the next quarterly window. The fund’s own repurchase disclosure states that “in the event that repurchases are prorated, any unsatisfied requests must be resubmitted at the beginning of the next quarterly repurchase window.”⁶

Without carry-over there is no contractual backlog, and neither clearing time such a model would produce — roughly three quarters on a net-of-gate convention, roughly four on a gross one — is identified. Recovering a clearing time would require an unobserved **re-tender persistence parameter** ϕ_t , the fraction of unfilled tenderers who return in the following window, and ϕ_t is not published.

What the data support without any model is the comparison itself: *tender demand against available quarterly liquidity*. That ratio ran at several times the cap in both quarters of 2026.

What it does *not* support is that originations go to zero. A fund meets tenders from more than one source: repayments, new subscriptions, cash, borrowing capacity, asset sales, distribution changes, portfolio rotation, undrawn facilities. Tender pressure at several times capacity can materially constrain the liquidity available for new originations. Whether it does, and by how much, is an empirical question this paper registers rather than answers.

Evidence against the strong reading, from the same quarter. Reporting of the flagship fund’s first-quarter shareholder letter states that gross capital inflows of \$872 million^[u] left a *net* outflow of \$116 million^[u] — under one percent of net asset value, and the fund’s first net quarterly outflow in eighteen quarters — while liquidity across cash, undrawn debt and other liquid assets stood at \$11.3 billion^[u].⁷ Roughly 23%^[u] of total requests were satisfied at the cap.

That materially weakens the inference from tender demand to constrained origination. A tender rate of 21.9%^[u] of shares translated into a net outflow of well under one percent of net asset value, because subscriptions largely offset redemptions. The observable that matters for the transmission channel in §5.3 is therefore *net* flow and available liquidity, not the tender rate — and on the net measure this quarter was close to flat.

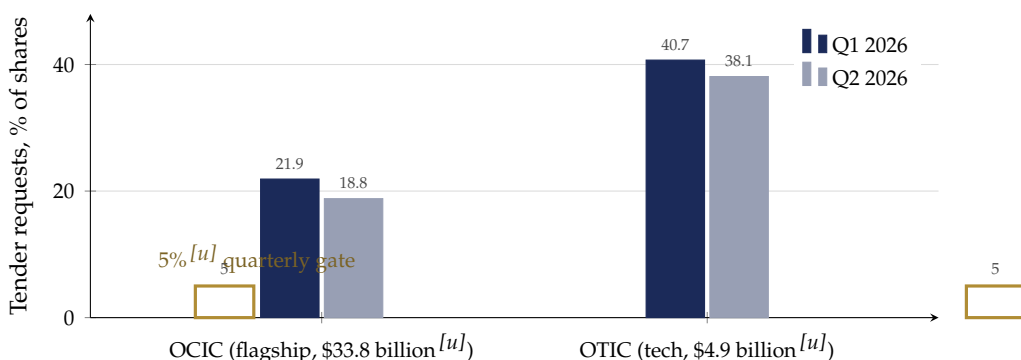


Figure 2. Tender demand against available quarterly liquidity. Requests ran at several times the 5%^[u] cap in both quarters. The chart makes no claim about backlog accumulation or clearing time: unfilled requests do not carry over contractually, so persistence across windows is unobserved. Tender demand at several times the quarterly cap *can materially constrain* the liquidity available for new originations; it does not establish that originations cease.

⁶Blue Owl Credit Income Corp., *Repurchase Offers*, <https://www.blueowl.com/repurchase-offers-ocic>.

⁷Reporting of the Q1 2026 shareholder letters; the filings themselves are a retrieval target, see Appendix A.

5.2 Why the squeeze compounds under a hawkish Fed

Private credit borrowers pay floating rates. Define the interest coverage ratio $ICR = EBITDA/(r \cdot D)$ with $r = \text{SOFR} + \text{spread}$. As higher-for-longer holds r up while AI-driven disruption pressures software EBITDA — the cohort OTIC lends to — $ICR \rightarrow 1$ and lenders permit payment-in-kind: interest is added to principal rather than paid in cash. The borrower's debt compounds precisely when it cannot pay,

$$D_{t+1} = D_t (1 + r_{\text{PIK}}), \quad (6)$$

while the fund books non-cash income it cannot distribute — which can invite the NAV skepticism that drives the redemptions. Whether that loop closes is the hypothesis, not the finding. If it does, the squeeze is an increasing function of how long the hawkish stance holds, and the present policy stance would be contributing to the conditions for a later easing. That is a conjecture about a mechanism, offered as such.

5.3 Two transmission channels to the monetary system

The Federal Reserve does not provide a direct liquidity backstop to a gated fund; monetary transmission is indirect, and it runs through two routes. **Through the banks:** lending to nonbank financial institutions — subscription lines, NAV loans, fund leverage — has been among the fastest-growing bank asset classes. As fund marks compress, banks hoard liquidity against this exposure, which raises the comfort floor in Equation (4): the floor moves up to meet a Fed trying to shrink down toward it. Convergence from both directions is accident arithmetic. **Through the macro:** if constrained funds reduce net originations, mid-market borrowers face tighter refinancing, which can feed through to capital spending and hiring and eventually to prices. Each arrow in that chain is a step, not an identity.

Private credit transmission — a candidate channel, with observables

redemption pressure $\rightarrow$ net originations $\rightarrow$ borrower refinancing
 $\rightarrow$ capex and employment $\rightarrow$ inflation

Each arrow carries an observable, and none is claimed to have moved yet:

- quarterly net originations against repayments, by fund;
- fund liquidity, leverage and undrawn facility capacity;
- borrower spreads, default rates and PIK frequency;
- capital spending and employment among exposed borrowers;
- sectoral price effects before aggregate ones.

Until the intermediate variables move, this is a candidate channel. The paper does not treat it as a finding and no marker in §9 scores it as one.

At the Dinner Table

Picture a neighborhood lender that took money from thousands of families and lent it to local businesses, promising families could take some money out each quarter. One year, many families ask for their money back at once. The lender does not collapse — the fine print limits how much it returns each quarter — and it may hold more cash and tighten new lending in response. If enough lenders do that, some businesses may find refinancing harder, which could in time affect investment and hiring. No dramatic bank run ever appears on television. Whether any of it reaches the jobs report is the question this paper registers rather than the answer it gives.

6. The Private Absorption Configuration

6.1 Statutory demand for eligible reserve assets

The GENIUS Act requires permitted payment stablecoin issuers to hold reserves of at least one-for-one in a defined set of *eligible* assets. That set is broader than bills: currency and Federal Reserve balances, demand deposits, Treasury securities of remaining maturity 93 days or less, overnight repurchase agreements, overnight reverse repurchase agreements against Treasury collateral, qualifying government money market funds, and certain approved similar federal assets. The list is Section 4(a)(1)(A) of the enacted text.⁸

This matters for the mechanics. The statute creates demand for *eligible safe and liquid assets*, not for bills specifically. The correct decomposition separates what the law requires from what issuers choose:

$$\Delta D_t^{\text{eligible}} = \Delta SC_t, \quad \Delta D_t^{\text{bills}} = \theta_t \cdot \Delta SC_t, \quad (7)$$

where θ_t is an **observed portfolio allocation** that varies by issuer and over time, not a statutory constant. A single θ in the 0.8–1 band is often written as though the statute set it. It does not, and an allocation that can move is a weaker channel than one that cannot. Two amplifiers are written into the statute. Reserves may include reverse repo against Treasury collateral of any maturity, so stablecoin cash can indirectly finance leveraged holders of long-dated Treasuries — the channel reaches further up the curve than the 93 days rule suggests. And the Act exempts bank holding companies from holding consolidated regulatory capital against their stablecoin-issuer subsidiaries beyond the issuer’s own requirement. Section 4(a)(4)(C)(iii) provides that a consolidated leverage or risk-based capital rule may not require a depository institution or holding company that includes a permitted issuer to hold, against that issuer and its assets and operations, capital in excess of the issuer’s own requirement; and Section 4(a)(4)(C)(ii) disapplies Section 171 of the Financial Stability Act to those rules. The effect is to prevent an additional consolidated capital requirement for the issuer and its operations above the issuer-level requirement. It does not make consolidated capital treatment zero.

6.2 Money creation without the central bank

The monetary accounting is the heart of the matter, and it is case-dependent. A single universal equality is often written; the effect actually depends on the counterparty and on whether the transaction is in the primary or secondary market.

⁸GENIUS Act of 2025, Public Law 119-27, enacted July 18, 2025, <https://www.govinfo.gov/content/pkg/PLAW-119publ27/html/PLAW-119publ27.htm>.

Transaction	Balance-sheet effect
Bank buys a Treasury <i>from a nonbank</i>	Bank asset +; bank credits the seller's deposit. Deposits, and broad money, rise.
Bank buys a Treasury <i>from another bank</i>	Assets shift between banks; reserves shift. No net deposit creation.
Bank buys at <i>primary</i> issuance	Treasury receives funds into the TGA, draining reserves until spent.
Household converts a deposit into a stablecoin	Deposit moves to the issuer's account or funds an eligible asset. Broad money composition changes; the size effect depends on where the issuer holds reserves.

Federal Reserve research makes the same point about stablecoins specifically: depending on who buys the token and where the issuer holds reserves, the effect may be to *reduce, recycle, or restructure* bank deposits, not to drain them one-for-one. The general claim that survives all four cases is narrower and still substantial: spendable claims can expand and the deficit can be financed without the Federal Reserve's balance sheet moving. *Reserve income* — the earnings on the backing assets, $\pi = r \cdot SC - \text{costs}$ — accrues to the private issuer. Whether this displaces public seigniorage depends on the extent to which the token substitutes for currency or another public monetary liability; calling it seigniorage-like rent is more accurate than calling it seigniorage.

6.3 What private issuers do with the seigniorage

Most accounts stop at the migration of seigniorage. It is worth following the money, because where it goes is the most striking single fact this series has encountered.

The European Central Bank reports that in 2025 the largest stablecoin issuer, Tether, purchased **more than 100 tonnes of gold** — making it a larger gold buyer than any central bank on earth, ahead of Poland, the largest official-sector purchaser at around 100 tonnes.⁹

What this does and does not establish. It is tempting to read the gold purchases as GENIUS seigniorage recycled into bullion. That chain does not hold. Tether is a foreign issuer, not a permitted U.S. payment stablecoin issuer under the Act, and gold is not an eligible reserve asset under it. The purchases were not made with GENIUS-regime seigniorage and cannot be attributed to the statute.

What the fact does establish is narrower and still worth the reader's attention: *a very large private issuer of dollar-denominated tokens independently prefers material gold exposure*. Whatever the reserve preferences of private dollar-claim issuers turn out to be, they are demonstrably not identical to the state's. That is a bridge to Working Paper 2026-03 rather than a conclusion of this one, and it is offered as such.

6.4 Who actually earns the reserve income

Section 6.3 said reserve income accrues to the private issuer. That is true and too coarse. The 2026 disclosures show that carry on the reserve assets and profit at the issuer are different quantities, and that the difference is contractual.

⁹European Central Bank, *The International Role of the Euro*, June 2026, §1.1, <https://www.ecb.europa.eu/press/other-publications/ire/html/ecb.ire202606.en.html>.

Issuer		Float	2026 earnings	Disclosure basis
Tether (USDT)		\$183.6 billion ^[u] (30 Jun)	\$1.0 billion Q1 net; \$1.5 billion ^[u] Q2 <i>operating</i>	quarterly attestation (BDO); FY2025 audited by KPMG
Circle (USDC)		\$73.3 billion (30 Jun)	\$55 million Q1; \$48 million Q2 net	SEC filings; Q2 10-Q unaudited
World Liberty (USD1)		\$4.0 billion ^[u] (11 Aug)	\$150 million ^[u] projected FY revenue	issuer page; press analysis

No cross-issuer performance multiple is computed from this table, and the reader should not construct one. Tether’s and Circle’s floats are now measured on the same date, 30 June 2026; USD1’s is measured in August. Tether’s second-quarter figure is *operating* profit and its first-quarter figure is net profit, so the two do not sum to a half-year result. USD1’s figure is a projection of revenue, not earnings. What the table supports is a structural observation, not a ranking.

[Unresolved: some secondary reporting states \$1.3 billion^[u] of Q2 operating profit and \$5.2 billion^[u] of excess reserves against the issuer’s own \$1.5 billion^[u] and \$4.1 billion^[u]. The basis and date of that variant are unidentified, and the issuer’s figures are used here. See Appendix A.]

The structural observation, from the one issuer that files. Circle reports second-quarter reserve income of \$668 million and total distribution, transaction and other costs of \$412 million — 61.7% of reserve income. Within that total, Coinbase-specific distribution costs were \$325 million^[u], or 48.6% of reserve income on their own. Nearly half the carry earned on the reserve assets leaves the issuer under a distribution contract before it reaches the income statement.

That is the finding, and it is narrower than a law about who captures rent:

Reserve-asset carry does not automatically accrue to the stablecoin issuer. Its division depends on the contractual architecture among issuer, reserve manager and distributor. Circle provides direct evidence that a distribution partner can capture a large share of the economics. Other issuers use different structures, so distribution *concentration* alone does not identify who ultimately retains the carry.

USD1 is the counterexample that makes the point sharper. Roughly 87%^[u] of USD1 supply is reported to sit at a single exchange, and press analysis indicates the issuer does not share USD1 revenue with that exchange. Concentrated distribution and contractual rent-sharing are therefore *separable*: Circle shows the sharing without the concentration, USD1 shows the concentration without disclosed sharing. Any account that treats exchange concentration as evidence of rent capture conflates the two.

So What?

The token float is a private liability of the issuer, backed largely by public debt, and the carry on that backing is private. But carry is not profit. In the one case with filed accounts, roughly half of it is contracted away before it reaches the issuer. Any valuation of this sector built on “float times the front-end rate” is measuring the wrong quantity.

Scale, stated against the sovereign. Tether reports approximately \$141.0 billion of direct and indirect Treasury exposure and describes itself as the seventeenth largest holder of U.S.

Treasuries globally — a private, non-U.S., non-bank entity holding a position comparable to a mid-sized sovereign creditor, with no deposit insurance and no Federal Reserve account conferred by statute (§7.2). On disclosure, the picture changed during 2026 and the change runs against the intuitive ordering: on 13 August 2026 Tether announced that KPMG U.S. had issued an unqualified audit opinion on Tether International’s financial statements for the year ended 31 December 2025 — its first full annual audit, reporting reserves exceeding liabilities by \$6.8 billion.¹⁰ Circle’s second-quarter condensed consolidated statements are, as its Form 10-Q states, unaudited. The 2026 quarterly figures for both issuers remain unaudited; the audited/attested contrast that would once have separated them no longer maps cleanly onto listing status, and this paper does not claim that disclosure regime explains the distribution economics.

Limit II, with its two legs separated. Reserve income has two independent drivers: the reserve float and the return earned on the reserve assets. *The rate leg is mechanically sensitive to the front end* — Circle disclosed a reserve return rate of 3.48% in the second quarter, down 66 basis points year-over-year, attributing roughly \$114 million^[ul] of reduced reserve income to lower yields. *The circulation leg is behavioral and empirically uncertain* — Circle states in its own filing that the relationship between interest rates and USDC circulation is complex and unproven, and that it cannot reliably predict the net effect of a rate change on reserve income. In an easing cycle the rate leg falls while circulation could rise. The channel is often called procyclical in volume; this paper adds that the margin is rate-sensitive, and declines to claim the two legs move together.

At the Dinner Table

Three companies issue digital dollars and park the money in short-term government IOUs. You might assume they all pocket the interest. The one company that files public accounts shows otherwise: roughly half of that interest goes to the platform that brings it customers, before the company counts a dollar of it. A second company has most of its coins sitting at one exchange but reportedly pays that exchange nothing for it. So the interesting question is not how much interest the float earns. It is who the contract says gets to keep it — and that is not visible from the outside for most issuers.

One governance fact, recorded rather than argued. USD1 is the first large stablecoin associated with the family of a sitting U.S. president, and members of the Senate have raised conflict-of-interest objections to the arrangement. This paper records the objections as objections and takes no position on the politics. It notes only that supply concentration and attestation cadence are observable variables that bear on peg resilience for every issuer in the table.

6.5 Regulatory relief: expanding the private balance sheet

The second wing is bank capacity, and the rule most often described here was never adopted.

What the final rule actually did. On November 25, 2025 the agencies issued a final rule modifying the enhanced supplementary leverage ratio standards, effective April 1, 2026. It *recalibrates* the standard — setting requirements by reference to overall systemic risk, and capping the depository-institution buffer at 1% for an overall requirement of no more than 4% — with the stated aim of reducing disincentives to low-risk activity such as intermediating in

¹⁰Tether, “Tether Completes the Largest Inaugural Financial Audit in History,” 13 August 2026, <https://tether.io/news/tether-completes-the-largest-inaugural-financial-audit-in-history/>.

Treasury markets.¹¹ **It does not exclude reserves or Treasuries from total leverage exposure.** Governor Miran's separate statement records that the exclusion was not adopted.

The magnitude follows from the agencies' own estimate, and it is far smaller than usually implied: overall capital levels are expected to remain *broadly unchanged*, with tier 1 requirements for affected holding companies falling by *less than 2%* in aggregate.

The exclusion as a labelled counterfactual. Were reserves and Treasuries excluded from the denominator, the added capacity would be exactly the exempted amount. The expression usually written is $\Delta\text{Capacity} = \text{Tier 1}/SLR_{\min} - (TLE - \text{Reserves} - \text{Treasuries})$, which is the *post-relief headroom*, not the change. Subtracting pre-relief headroom $\text{Tier 1}/SLR_{\min} - TLE$ leaves:

$$\Delta\text{Capacity} = \text{Reserves} + \text{Treasuries} \quad [\text{counterfactual, not enacted}]. \quad (8)$$

Tier 1 and *TLE* cancel identically, which is why the exempted amount *is* the capacity. This equation describes a policy that has been proposed and not adopted. It is retained because the proposal remains live and because the version usually given is algebraically wrong as well as legally premature.

The configuration that survives is therefore narrower than “*statutory bill demand*” plus expanded absorption plus bill-tilted issuance. It is: statutory demand for eligible safe assets, a modest recalibration of leverage standards, and bill-tilted issuance — interacting to route more financing through private balance sheets without moving the H.4.1.

6.6 Evidence against the thesis, stated at full strength

Two published findings cut against this paper and belong in it.

The convenience yield on U.S. Treasuries did not decline. The ECB estimates the non-pecuniary benefit foreign investors earn on Treasuries at roughly 190 basis points in 2025 — unchanged from 2024, and well above the German equivalent at around 90 basis points. If the dollar's safe-asset franchise were eroding in the way a stealth-financing regime might imply, this is where it would show, and it does not.

The statutory channel is smaller than the private bid it sits inside. Aggregate stablecoin capitalization is on the order of \$300.0 billion^[u]. Private investment demand for gold alone reached nearly 2,200 tonnes in 2025 — roughly half of all gold demand, with a record \$89.0 billion of ETF inflows. The architecture described here is real, and it is not the largest thing happening in the market for safe assets.

At the Dinner Table

Who prints money? Most people answer “the central bank,” but that has never been the whole truth — when your bank makes you a mortgage, it creates the deposit it hands you out of thin air. What is new is that law and regulation can channel some private balance-sheet activity toward eligible safe assets that include government debt: digital-dollar companies must hold a short list of very safe assets, government IOUs among them, and a capital rule was eased so banks are less discouraged from dealing in government debt. The difference is which chart records it. And here is a fact that fits nowhere tidily: the biggest digital-dollar company in the world bought more than 100 tonnes of gold last

¹¹Board of Governors, FDIC and OCC, “Agencies issue final rule to modify certain regulatory capital standards,” November 25, 2025, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20251125b.htm>.

year — more than any central bank. It is not a U.S.-regulated issuer and gold is not on the eligible list, so this is not that story. It is a different one, and it belongs to the third paper.

7. The Two Hard Limits

7.1 Limit I: The reserve-conservation constraint

Return to Equation (2). Stablecoin issuance, SLR relief, and bill-heavy Treasury supply appear nowhere on its right-hand side. **No component of the private absorption layer creates a single bank reserve.** The official layer — outright purchases, the repo facility, the discount window — is where reserves come from, and §3.3 shows the two nets: \$346.5 billion of bill holdings against a \$300.0 billion change in net reserves.

The stablecoin wing may also, depending on transaction topology, tighten bank funding rather than leave it unchanged — §6.2 sets out the cases, and Federal Reserve research finds the effect can be to reduce, recycle or restructure deposits. Where it reduces them, the channel finances the Treasury while tightening the bank-funding pipe that cracked in Q4 2025; where it recycles them, it does not. The direction is topology-dependent and this paper does not claim to know the mix. And SLR relief lets banks hold more Treasuries but not *fund* them — the funding comes from deposits or repo, consuming liquidity rather than minting it; a levered Treasury book also raises settlement and margin needs, pushing the comfort floor up. The architecture substitutes for the Fed on the asset-demand side and cannot substitute on the liquidity side. Only one institution creates reserves.

7.2 Limit II: Pro-cyclicality and the run topology

The Fed expands counter-cyclically — most when markets are worst. The stablecoin component *can become procyclical*, though not necessarily: demand for dollar tokens can also rise in risk-off episodes as participants move out of volatile crypto. What 2026 shows is co-movement, not a structural sign restriction: sector growth stalled near \$300.0 billion^[u], which coincided with a decline in crypto prices. Written schematically, $\Delta SC_t = g(\text{risk appetite}_t)$ with $g' > 0$ — a shape, not an estimated relationship. In the stress state where the system needs balance-sheet expansion, the channel may run backwards, with redemptions met by liquidating eligible assets. Which assets, and into what market, depends on the issuer's reserve mix; the T-bill market is one possible venue and not a necessary one. Structurally, GENIUS coins are par claims whose liabilities are not federally deposit-insured; direct Federal Reserve account access is not conferred by the Act — Section 4(a)(13) states that nothing in it expands or contracts eligibility for Federal Reserve services or deposits — though reserves may include money credited to an account at a Federal Reserve Bank; Section 4(e)(1) provides that payment stablecoins are not backed by the full faith and credit of the United States nor federally insured; and Section 4(a)(4)(A) requires tailored capital, liquidity and risk-management standards.

This is why the December 2025 change to the Standing Repo Facility matters — stated precisely. The Federal Reserve removed the *aggregate* operational limit on standing overnight repo operations, effective December 11, 2025, moving to full allotment. It did not make the facility unlimited: a maximum per-proposition amount of \$40.0 billion remains, one proposition per security type at each of two daily operations, as do counterparty eligibility and collateral restrictions. The accurate characterization is a facility with no aggregate operation cap, sized to

absorb a stress event, sitting behind a private absorption layer whose *stablecoin component* can become procyclical in exactly that state. The other two components — intermediation capacity and issuance composition — do not obviously reverse, and the paper does not claim they do.

The resulting path of the balance sheet is best drawn as a **stylized stress-state schematic**, not a derived expected path:

$$dA_t = \underbrace{\mu dt}_{\text{low drift}} + \underbrace{J dN_t}_{\text{run state}}, \quad N_t \sim \text{Poisson}(\lambda_t), \quad \lambda_t \uparrow \text{ in } SC_t, \text{ NDFI exposure, } -R_t, \quad (9)$$

Neither J nor λ_t is calibrated here, and $\mu \approx 0$ is an observation about the recent path, not a parameter anyone set — reserve management purchases produced real asset growth over the past year. Read Equation (9) as a shape, not an estimate: low drift punctuated by a jump whose likelihood rises as the private channel grows and as reserves fall. Flat, then vertical, is a description of the shape and a claim about the ordering of events, not a forecast of dates.

So What?

Do not model the next expansion as a trend on the H.4.1 chart. Equation (9) is a useful stress-state schematic — low drift, possible jumps — and it is uncalibrated, so it is a shape to hold in mind rather than a model to fit. Private absorption is visible in other series — aggregate stablecoin capitalization, bank Treasury holdings in the H.8, the bill share of issuance — while official facilities make the Federal Reserve balance sheet particularly informative in stress. §3.3 supplies the accounting result that matters: outright purchases add reserves at settlement, but net reserve balances can still fall when non-reserve Federal Reserve liabilities rise, as they did this year against a \$346.5 billion increase in Fed bill holdings.

8. Synthesis

The counter-cyclical buffer is spent and reserve demand is not directly observable (§3); Treasury scale *may* raise the liquidity floor if private intermediation capacity does not keep pace (§4); private-credit stress *could* raise the banking system's liquidity floor and provide a disinflationary transmission channel, if the intermediate variables registered in §5 move (§5); and the private absorption configuration routes financing around the official chart while a repo facility without an aggregate operation cap stands behind its failure mode (§6–7).

The reconciliation in §3.3 is what makes this more than an assembly. It does not prove the causal proposition — an identity cannot — but it does show, on a year of published data, that a \$346.5 billion increase in bill holdings coincided with a \$300.0 billion fall in net settlement liquidity. That is the paper's most durable contribution and it required no forecast.

9. Markers, Graded and Registered

Markers registered by this series are scored here individually. There is no aggregate score: the markers test different things and no count across them names a coherent state of the world.

Markers scored — as of September 3, 2026**Conservation**

NOT A FORECAST — an identity, reported for its decomposition. Equation (2) is true by construction and closing it confirms nothing. What the year shows is the decomposition: net reserves fell \$300.0 billion against a \$346.5 billion increase in bill holdings, because non-reserve liabilities grew by more. That is an empirical fact about the period, not a scored prediction, and it is listed here so no reader mistakes it for one.

Bill-tilted growth in holdings

CONFIRMED, as a holdings claim. Bills +\$346.5 billion year-over-year against nominal notes and bonds +\$35.3 billion.

“Flat, then vertical” — the flat phase

CONSISTENT, NOT CONFIRMING. Total assets were \$6.74 trillion at the marker’s registration date and \$6.73 trillion on August 26, 2026. Flatness is consistent with a jump process and with many other models, including ones in which no jump ever arrives. An unpunctuated interval discriminates between none of them.

Visible balance-sheet expansion by YE2026

NOT YET FIRED. This was registered at 85%. Assets have not expanded since registration. Four months remain and the marker stands as written; it is recorded here as open, not as vindicated by the rise in bill holdings, most of which predate the registration date.

Stablecoin capitalization re-accelerating through \$320.0 billion

NOT FIRED. The channel remains near \$300.0 billion^[u], which is Limit II behaving as specified.

First bank to provision against and withdraw from fund-finance lines

PARTIALLY CONFIRMED. A major bank tightened selected fund-finance exposure and booked a provision on a specific failure. What did *not* follow is the broader inference that the banking system is withdrawing Treasury-absorption capacity. The narrow marker hit; the wide reading of it did not.

Registered forward, scoring date March 31, 2027. Each marker carries a quantitative threshold so it can be scored without judgment.

- M1** Total Federal Reserve assets exceed \$6.90 trillion on any Wednesday H.4.1.
- M2** Reserve balances fall below \$2.80 trillion on any Wednesday H.4.1.
- M3** SOFR less IORB closes at or above +15 basis points on any 3 days business days within a single calendar quarter. (*A looser formulation said “spike” and could not be scored.*)
- M4** Standing Repo Facility usage exceeds \$25.0 billion on any single operation.
- M5** Bills rise above 13% of Federal Reserve Treasury holdings.

- M6** Aggregate stablecoin capitalization closes above \$320.0 billion for a full calendar month.
- M7** A second identified bank publicly provisions against or withdraws from fund-finance exposure.

No aggregate score. Each marker is reported on its own release, and a majority hitting while M1 and M2 both fail would be reported as exactly that.

10. Conclusion

The question “when will the Fed print?” has a three-part answer. *Functionally*: Treasury financing continued throughout, and Federal Reserve reserve creation through outright purchases resumed in December 2025 under a technical label, while the statutory and regulatory configuration can route a larger share of Treasury absorption through private balance sheets. *Formally*: the headline chart moves little while the private absorption layer carries the load, and this paper makes no claim about whether anyone intended that. *Mechanically*: the private layer cannot create bank reserves, and this year showed what the reserve constraint can look like in net data — a \$346.5 billion increase in Federal Reserve bill holdings alongside a \$300.0 billion change in net settlement liquidity, because growth in non-reserve liabilities, principally the TGA, exceeded net asset growth.

That last sentence is the one to keep. The sophisticated observer should stop watching the printer and start watching the plumbing: private holders and intermediaries, oversubscribed tender windows, the convex spread in Equation (4), the two reverse repo pools that must not be confused, and the repo facility — freed of its aggregate operation cap, though not of its per-security-type and counterparty limits — that stands behind the arrangement. If that facility is ever drawn at scale, the reserve creation will be undeniable, and it will be described, correctly, as a response to an emergency.

At the Dinner Table

The next time someone says “the Fed isn’t printing — look at the chart,” you can reply: the chart is real, and it is also incomplete. Here is the part that surprised even this paper. This year the Fed’s Treasury bill holdings *did* rise — by \$346.5 billion — and the settlement money in the banking system went *down* anyway, by \$300.0 billion, because the Treasury’s own checking account rose by more than net Fed assets did. Whether anyone planned any of this, the paper does not say. What it can say is that a larger portfolio is not the same as more money in the plumbing.

Appendix A. Sources and Verification Status

Values verified against a primary release for this paper are marked **V**. Values whose primary artifact has not been re-pulled for this paper are marked **U** (unverified) and appear as *[unverified]* in the text. Unverified is not disputed; it means the check has not been run.

Claim	Source	Status
Fed assets, reserves, TGA, reverse repos, bills, notes and bonds	Federal Reserve H.4.1, Aug 27 2026, Tables 1 and 5	V
Reserve-change decomposition, §3.3	Derived from the above via Eq. (2)	V
Tether gold purchases, 2025	ECB, <i>International Role of the Euro</i> , Jun 2026, §1.1	V
Treasury convenience yield	ECB, <i>ibid.</i> , Box 2	V
Private gold investment demand 2025	ECB, <i>ibid.</i> , §1.1	V
Poland largest official gold buyer 2025	ECB, <i>ibid.</i> , §1.1	V
Reserve management purchases, Dec 2025	FRBNY operating policy, Dec 10 2025	V
GENIUS Act, P.L. 119-27, Secs. 4(a)(1)(A), 4(a)(4)(C), 4(a)(13), 4(e)(1)	govinfo enacted text	V
BIS stablecoin bill-yield impact estimates	BIS Working Paper No. 1270	U
Blue Owl redemption rates and fund sizes	Company filings; press reporting	U
OCIC Q1 2026 flows, liquidity, tender denominator	Reporting of Q1 shareholder letters	U
Tether Q1 2026 attestation	Tether / BDO Italia	V
Tether Q2 2026 release and BDO attestation	Tether release, 31 Jul 2026 (attestation not pulled)	U
Tether FY2025 audit, KPMG unqualified opinion	Tether release, 13 Aug 2026	V
Circle Q1 and Q2 2026 results	Circle press releases; Form 10-Q	V
USD1 supply, revenue projection, concentration	Issuer page; Bloomberg analysis via press	U
eSLR final rule, recalibration and magnitudes	Agencies, final rule, Nov 25 2025	V
eSLR exclusion not adopted	Governor Miran statement, Nov 25 2025	U
SRF terms after Dec 2025 change	FRBNY operating policy, Dec 10 2025	V
Repo operations create reserves	FRBNY, Standing Repo FAQs	V
ON RRP mechanics and reserve effect	Federal Reserve Board, ON RRP operations	V
Blue Owl repurchase carry-over terms	OCIC Repurchase Offers disclosure	V
Stablecoin deposit effects	Federal Reserve FEDS Notes, Dec 2025	U
RMP vs QE distinction	Federal Reserve speeches, 2026	U
ON RRP peak level (historical series)	FRBNY, reverse repo operational results	U
Bill share of marketable debt, history	Peterson Foundation analysis (secondary)	U
Refunding buyback anticipations	Treasury Quarterly Refunding, May 2026	V
Issuance composition (bill tilt)	Treasury Quarterly Refunding Statements, 2026	U
RMP pace and April TGA pre-positioning	FRBNY, reserve-management remarks, Mar 2026	U
Federal deficit scale	Congressional Budget Office	U
Stablecoin aggregate capitalization	Sector aggregators	U
Money-market indicators for the ample range	Federal Reserve H.8, H.15	U
Private credit sector size	Sector estimates	U

A note on the two reverse repo lines. The H.4.1 reports total reverse repurchase agreements with a split between foreign official and international accounts and others. On August 26, 2026 these read \$356.2 billion total, \$355.5 billion foreign official, \$702 million others. The balance-sheet identity requires the total; using the “others” figure understates the drain by roughly \$355.5 billion. Readers reconstructing Equation (2) should use the total; readers assessing whether a counter-cyclical buffer exists should use the *actual ON RRP operational series*; the H.4.1 “others” line is the relevant balance-sheet component for the identity, not the buffer question.

A note on gold. A figure is sometimes drawn comparing gold to Fed total assets and read gold’s appreciation as “*the market grading the decoy*”. No such figure appears here. Its price path is typically unsourced, it rarely names a benchmark series, and the inference it supports does not survive the ECB’s finding that gold’s rise in official reserve shares substantially reflects valuation rather than reallocation. Gold is treated in Working Paper 2026-03, where the price, quantity and intention effects are separated. This paper’s argument does not depend on it.

Appendix B. Change Register

First published 5 July 2026. The claims below appeared in that edition and are withdrawn or corrected here; the first edition remains historically traceable.

1. The balance-sheet identity used the overnight reverse repo line where the identity requires *total* reverse repurchase agreements — a difference of roughly \$355.5 billion.
2. The leverage-relief expression computed post-relief headroom and labelled it the *change* in capacity.
3. A reserve “*scar line*” was named. No threshold is identified here.
4. A redemption backlog and clearing time were modelled on a carry-over the fund’s filings contradict.
5. An exclusion of reserves and Treasuries from the leverage denominator was assumed enacted.
6. The conservation claim was asserted over a scope that included the Standing Repo Facility, which does create reserves.
7. A gold-versus-Fed-assets figure read gold’s appreciation as “*the market grading the decoy*”. Its price path was unsourced and it named no benchmark series; the reserve-conservation decomposition in Figure 1 replaces it.
8. Institutional intent — “*stealth architecture*”, “*flat by design*” — was asserted. The effect is the finding; the motive is not.

The full machine-verified register, with every changed value and the predicate that confirms it landed, accompanies the source distribution.

ALSO IN THE STRUCTURAL SERIES: No. 2026-02, *Bids Without Buyers* • No. 2026-03, *Reserves Without Treasuries* • No. 2026-11, *Sellers Without Sales*.

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