DIGITAL ASSETS / 5 MIN READ

Every Stablecoin Issuer Is Now a Treasury Desk

The law lists what a reserve may hold. The harder questions are how much, for how long and where.

KEY TAKEAWAYS

01
The GENIUS Act settled what a reserve may hold. The OCC's proposal goes further: at least 10% in daily liquidity, no more than 40% at one institution, and a 20-day cap on average maturity.

02
Holders earn no interest, so the yield on the reserve is the issuer's revenue. Each point of short-term rates is worth $10 million a year on every $1 billion outstanding.

03
If your company holds or accepts stablecoins, the issuer's reserve is your risk too. Read its monthly reserve report, and plan for redemptions that can stretch to seven days in a run.

Washington and the stablecoin industry spent years arguing over whether dollar tokens should exist at all. With the GENIUS Act[1], signed in July 2025, that argument ended and a more practical one began: how, exactly, should an issuer hold the money?

The stakes have grown with the market. Stablecoins outstanding stood at about $307 billion[2] at the end of September, with Tether and Circle accounting for roughly 85% of the total. Treasury Secretary Scott Bessent has said[3] the tokens will "lead to a surge in demand for US Treasuries." Researchers at the Bank for International Settlements estimate[4] that a $3.5 billion inflow into stablecoins lowers three-month Treasury bill yields by up to four basis points within ten days.

01 What the law settles

The Act lists what a reserve may hold: cash, balances at a Federal Reserve Bank, demand deposits at insured banks, Treasury securities with 93 days or less to run, overnight repurchase agreements backed by Treasuries, and government money market funds that hold the same. Reserves must cover the tokens one for one. They cannot be pledged or reused, with narrow exceptions. Each month the issuer must publish what it holds, an accounting firm must examine the report, and the chief executive and chief financial officer must certify it under criminal penalty. Issuers may pay holders no interest.

That is a short list. So what is left to decide? Nearly everything that matters to the person running the reserve.

02 What the rules are settling now

The Office of the Comptroller of the Currency proposed its rules[5] in February, and the detail is where the work lies. Under the proposal an issuer would keep at least 10% of its reserve in daily liquidity, meaning bank demand deposits or balances at the Fed, and at least 30% in assets due in cash within five business days. No more than 40% could sit at any one institution. The weighted average maturity of the whole book could not exceed 20 days. The agency offered these numbers two ways, as a safe harbor or as binding requirements.

Two further lines deserve a treasurer's attention. An issuer would hold liquid assets equal to twelve months of operating expenses, apart from the reserve. And redemptions would be due within two business days, stretching automatically to seven calendar days if more than 10% of outstanding tokens came back in a single day.

Comptroller Jonathan Gould has said[6] the agency is "very intent on moving quickly and getting a final rule out by November." The Federal Reserve followed[7] with its own proposal on September 24, and Treasury is taking comment[8] until October 19 on who may issue and sell the tokens. The Act takes effect no later than January 18, 2027.

03 A stricter money fund

The closest relative of a stablecoin reserve is a government money market fund, and the comparison is instructive.

On maturity the OCC is far stricter: 20 days, against the 60 a money fund is allowed. A 20-day average means most of the reserve matures and must be reinvested every few weeks. The issuer becomes a standing bidder for the shortest Treasury bills, and its income resets almost at once when the Fed moves.

On redemptions the proposal looks backward. After the market stress of March 2020, the Securities and Exchange Commission took away[9] money funds' power to suspend redemptions, having found that the threat of a gate made investors leave sooner. The OCC's automatic seven-day extension revives the idea. SIFMA, the securities industry's trade group, has called it[10] "a textbook preemptive-run incentive."

The liquidity test differs in kind. A money fund may count any Treasury security as daily liquidity. The OCC would count only bank deposits and Fed balances. Unless an issuer holds an account at the Fed, a tenth of its reserve must sit in commercial banks.

04 The weekend problem

Tokens trade at all hours. Banks and bill markets do not.

When Silicon Valley Bank failed on a Friday in March 2023, Circle disclosed that $3.3 billion of its roughly $40 billion reserve was held there. By Saturday its token had traded below 87 cents[11]. Ninety-two percent of the reserve was sound. The peg broke anyway, because the part that was stuck could not be reached or replaced until regulators guaranteed the bank's deposits on Sunday night.

The proposed 40% cap would not have prevented that weekend. Circle's exposure was 8%. What the episode shows is that daily liquidity is only as good as the bank that holds it, and that deposits of this size sit far above the $250,000 insurance limit. Where the 10% lives, across how many banks, and how fast it can move on a Saturday night are choices no rule will make for the issuer.

05 The reserve is the business

Because holders earn nothing, the yield on the reserve is the issuer's revenue. Each percentage point of short-term rates is worth $10 million a year on every $1 billion of tokens outstanding. With a 20-day book there is no hiding from a rate cut. The twelve-month expense backstop then decides who can afford to enter: a small issuer must raise and park a full year of costs before it earns its first dollar on the float.

The monthly certification raises a different question. Can the finance function produce a reserve report, examined by an outside firm and signed by two officers, every month without fail? Many crypto-native companies have never closed their books on that clock.

06 Before January

Prospective issuers should not wait for the final text. Build the reserve to the stricter reading of the proposal. Spread daily liquidity across at least three banks, and rehearse a weekend redemption. Fund the expense backstop outside the reserve. Run the monthly report for a quarter before anyone has to certify it. Model the business with short rates two points lower than today's.

07 What does this mean for your business?

Most companies will never issue a stablecoin. If yours holds one, takes one in payment or builds a product on one, the issuer's reserve is your risk too.

If stablecoins sit in your treasury, treat the issuer as you would a bank. Read its monthly reserve report. Ask where its daily liquidity is held, and at how many banks. Under the proposal a redemption can stretch to seven days in a run, so a token may not be cash on the day you most need it. Circle's weekend is the case against keeping all of your operating money in one token or at one bank. If customers pay you in stablecoins, decide in advance how long you will hold them before converting to dollars.

If you plan to issue, put three questions to yourself now. Who runs the reserve day to day? Can your finance team close the books and stand behind a certified report every month? Have you raised the year of expenses the backstop would require?

The law has settled that stablecoins belong in the financial system. Whether a given issuer does will be decided at its treasury desk. Issuers should staff it accordingly. ■

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