SESAME VAULT INC

Treasury Optimization Infrastructure for Stablecoin Issuers

February 25, 2026

Via Direct Correspondence (Outside Docket TREAS-DO-2025-0037 — For Departmental Advisement)

Tian Huang, Counselor to the General Counsel
Shane Shannon, Counselor to the General Counsel
Christina Lee, Senior Counsel
Degi Altantuya, Frank Colleluori, Brendan Costello,
Matan Neuman, Carol Rodrigues, and David Wertime, Attorney-Advisors
Office of the General Counsel
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Re: GENIUS Act Implementation — CUSIP-Level Concentration Risk in Stablecoin Reserve Portfolios: A Structural Risk Not Addressed in the ANPR Comment Record (Docket TREAS-DO-2025-0037) — Submitted for Departmental Advisement in Developing the Notice of Proposed Rulemaking

Dear Counselor Shannon, Senior Counsel Lee, and Attorney-Advisors:

I. Introduction

This letter is submitted outside the formal comment period on Docket TREAS-DO-2025-0037, which has now closed, for the Department's advisement as it develops its Notice of Proposed Rulemaking. Having reviewed the comment letters in the docket, including submissions from major issuers, custodian banks, banking trade associations, state regulators and legislators, and consumer protection organizations, we identified a critical structural risk that no commenter addressed: the emergent CUSIP-level concentration of stablecoin reserve portfolios into an increasingly narrow set of Treasury securities ("T-bill"), and the systemic consequences this concentration poses for the Treasury and repo markets.

This letter does not advocate for a specific regulatory change. Instead, it presents a quantitative analysis demonstrating that the current eligible reserve asset framework, which effectively channels all compliant stablecoin reserves into short-duration Treasury bills with remaining maturities of 93 days or less, creates a structural capacity constraint that will manifest as T-bill level concentration risk well before the stablecoin market reaches its projected scale. While some commenters addressed related issues, none provided a comprehensive analysis of CUSIP concentration risk or the significant threat it poses to the financial stability the GENIUS Act seeks to promote.

We believe this analysis warrants careful and urgent consideration as the Department develops the NPRM.[1]

II. Executive Summary

This letter demonstrates four propositions:

First, the GENIUS Act's 93-day maturity restriction channels all compliant reserves—whether held as T-bills directly, as repos collateralized by the same T-bills, or as government money market fund shares investing in those instruments—into a narrow sub-93-day eligible universe of approximately $2.0–$3.0 trillion. Based on published attestation data from Tether, Circle, World Liberty Financial, PayPal, Ripple, and others, combined stablecoin demand on the T-bill universe—through direct holdings and repos—already exceeds $200 billion, representing approximately 8–10% of this eligible pool at current scale (~$310 billion in total reserves). At projected scale—$500 billion to $2 trillion in reserves within 2–4 years—effective demand on this pool would rise to 20–80% of the eligible universe, with the Citi high case ($3.7 trillion) exceeding its total capacity.

Second, these aggregate figures understate the actual concentration risk in specific CUSIPs. Examination of actual attestation reports across five major issuers reveals that only two—Circle (issuer of USDC) and Ripple (issuer of RLUSD)—provide CUSIP-level T-bill data, and both hold 13–16 of the same approximately 25 available CUSIPs, confirming that cross-issuer overlap is structural. World Liberty Financial (USD1) holds zero directly held T-bill CUSIPs—routing 85% of its $3.3 billion in reserves through a single government money market fund. PayPal (PYUSD) discloses only aggregate asset-class totals. Tether, which holds more than five times Circle's T-bill exposure ($122.3 billion, representing 61% of all stablecoin T-bill holdings), discloses no CUSIP-level allocation whatsoever. Because issuers targeting short weighted-average maturities necessarily cluster in the nearest-maturity issues, the true per-CUSIP concentration from overlapping portfolios cannot be observed for the vast majority of stablecoin reserves—and will grow more severe at scale unless addressed.

Third, the Bank for International Settlements has established that stablecoin flows already exert measurable demand pressure on short-term Treasury yields, with a critical asymmetry: outflows raise yields two to three times as much as inflows lower them. This asymmetry means that correlated redemption events—where multiple issuers simultaneously liquidate the same CUSIPs—would amplify selling pressure precisely when dealer balance sheets are most constrained.

Fourth, the transmission mechanism runs through dealer intermediation capacity, the repo market, and leveraged Treasury basis trades. The MIT Digital Currency Initiative has identified this as the binding

[1] Pub. L. 119-27, Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 ("GENIUS Act"), signed July 18, 2025. Section 4(a)(1)(A) defines eligible reserve assets as U.S. coins and currency, Federal Reserve deposits, demand deposits at insured depository institutions, Treasury bills and notes with remaining maturity ≤93 days, and repurchase agreements collateralized by such securities. Terminology note: this letter identifies Treasury bills by their CUSIP (Committee on Uniform Securities Identification Procedures) number—the nine-character alphanumeric identifier used across U.S. Treasury markets (the domestic equivalent of the international ISIN standard). Treasury bills eligible under the 93-day cap cluster across approximately 25–27 distinct maturity dates; the concentration risk arising from that narrow universe is analyzed in detail in Section IV. WAM (Weighted-Average Maturity) denotes the dollar-weighted average remaining maturity of a reserve portfolio, expressed in days. Issuers are referred to by company name; their stablecoins by ticker: Tether (USDT), Circle (USDC), World Liberty Financial (USD1), PayPal (PYUSD), Ripple (RLUSD), First Digital (FDUSD). "USDXX" refers to the BlackRock-managed Circle Reserve Fund, an SEC-registered Rule 2a-7 government money market fund.

systemic constraint: not the quality of reserve assets, but the capacity of the financial system to intermediate their forced liquidation under stress.

III. Stablecoin Reserve Holdings: Aggregate Data

The following table aggregates current reserve positions across the five largest fiat-backed stablecoin issuers, drawn from published attestation reports. The table footnotes and Section IV.D discuss the concentration implications.[2]

Issuer	Market Cap	Est. Treasury Exposure	T-bill %	WAM	Custodian
Tether (USDT)	$186.5B	$122–141B	64%	N/D	Cantor Fitzgerald (99%)
Circle (USDC)	$76.5B	$33–45B	34–43%	19 days	BNY Mellon / BlackRock
World Liberty Financial (USD1)	$3.3B	$2.8B (indirect)†	85% MMF†	N/D	BitGo Bank & Trust, N.A.
PayPal (PYUSD)	$4.0B	~$2.5–3B	~65%*	N/D	Paxos Trust Company
Ripple (RLUSD)	$1.28B	$338M direct	25%‡	N/D	BNY Mellon
First Digital (FDUSD)	$0.5B	~$0.37B	74.5%	N/D	First Digital Trust (HK)
Other / Emerging	~$35B	~$15–20B	Varies	Varies	Various
TOTAL	**~$310B**	**$177–214B**	—	—	—

** Estimated based on comparable GENIUS Act-compliant reserve structures where specific breakdowns are not publicly disclosed.*

N/D = Not disclosed at CUSIP level or WAM level in public attestations. † USD1 holds zero directly held T-bill CUSIPs; 85% of reserves are invested in a single Fidelity government money market fund (FRGXX), which itself holds T-bills and repos, creating indirect Treasury demand. ‡ RLUSD attestation provides full CUSIP-level T-bill data (13 CUSIPs as of Dec. 31, 2025); 65% ($868M) held in government MMFs, 10% ($131M) in cash deposits. Reserve composition shifted materially between Dec. 17 (55% T-bills, 16 CUSIPs) and Dec. 31 (25% T-bills, 13 CUSIPs) as maturing CUSIPs were reinvested in MMFs.

IV. The Arithmetic of CUSIP Concentration

A. The Eligible Universe

[2]Reserve data compiled from published attestation reports and public disclosures: Tether Q4 2025 Attestation (BDO Italia S.p.A., Jan. 30, 2026): total assets exceeding $192.8B, tokens issued $186.5B, direct Treasury holdings $122.3B, total Treasury exposure (incl. overnight reverse repos) $141B, excess reserves $6.3B. Cantor Fitzgerald custodies approximately 99% of Tether's Treasury holdings. See tether.to/en/transparency (Q4 2025 attestation). Circle Monthly Reserve Report (Deloitte & Touche LLP, Oct. 2025): USDC in circulation $76.5B. Board of Governors of the Federal Reserve System, FEDS Notes (Dec. 17, 2025): USDC composition 33.59% Treasuries, 50.79% repos, 14.24% deposits. USD1 Reserve Report (Crowe LLP, Jan. 30, 2026): as of Dec. 31, 2025, 3,313,510,170 tokens outstanding, $3.31B total redemption assets: $2.81B (85%) in Fidelity Investments Money Market Government Portfolio (CUSIP 31607A703, ticker FRGXX), $499M (15%) in demand deposit accounts, and zero directly held Treasury CUSIPs. See https://www.bitgo.com/usd1/attestations/. RLUSD Reserve Report (Deloitte & Touche LLP, Jan. 26, 2026): as of Dec. 31, 2025, 1,278,206,224 tokens outstanding, $1.34B reserve market value comprising $338M in T-bills (13 CUSIPs), $868M in government MMFs, and $131M in FDIC-insured deposits. Full CUSIP-level T-bill data disclosed. Issued by Standard Custody & Trust Co., LLC (NYDFS). See https://ripple.com/solutions/stablecoin/transparency/. PayPal USD (PYUSD): $4.0B, issued by Paxos Trust Company, N.A. (NYDFS/OCC), attested by KPMG LLP. Total stablecoin market cap: ~$310B (DeFi Llama, Feb. 2026).

The GENIUS Act's reserve requirements, codified at Section 4(a)(1)(A), effectively restrict Treasury holdings to bills with original or remaining maturities of 93 days or less. Understanding the actual size and structure of this eligible universe is critical to assessing concentration risk:[3]

Total U.S. Treasury securities outstanding: $30.3 trillion (January 2026). Treasury bills represent approximately 21–22% of total outstanding, or ~$6.5 trillion.

Sub-93-day eligible universe: Not all $6.5 trillion in bills qualifies. Only CUSIPs with 93 days or fewer of remaining maturity are eligible. A 26-week bill issued two weeks ago has ~24 weeks remaining and falls outside the statutory window. Based on the maturity distribution of outstanding bills, we estimate the sub-93-day eligible universe at approximately $2.0–$3.0 trillion at any given time, with a central estimate of ~$2.5 trillion.

Number of eligible CUSIPs: Over a 93-day window, there are approximately 25–27 distinct CUSIPs. However, observable data from Circle's BlackRock-managed reserve fund (USDXX) shows the fund holds bills across 16 CUSIPs spanning 5 to 91 days to maturity (as of February 19, 2026), and RLUSD holds 13 CUSIPs (as of December 31st 2025), suggesting that individual issuers may not invest across the full set of available CUSIPs.[4]

Per-CUSIP outstanding: Because each CUSIP accumulates volume across its original auction and multiple reopenings, total outstanding per CUSIP is substantial. A recent 56-day bill reopening (CUSIP 912797TJ6, February 2026) had a single offering of $95 billion. After multiple reopenings, total outstanding per CUSIP typically reaches $100–$200+ billion. For estimation purposes, the $2.5 trillion eligible universe divided by ~25 CUSIPs implies approximately $100 billion average per CUSIP, though not all CUSIPs carry equal outstanding and issuers may concentrate in a subset.

B. Current Concentration

At current scale, verifiable direct T-bill holdings from the five major issuers sum to roughly $148 billion (Tether $122.3 billion, Circle $22.5 billion, others $3 billion), with sector-wide direct holdings estimated at $160–170 billion including smaller issuers. Adding repos collateralized by T-bills—which constitute the majority of Circle's reserves ($42.2 billion) and a material portion of Tether's ($18.7 billion)—aggregate stablecoin demand on the sub-93-day T-bill universe exceeds $200 billion, or roughly 8–10% of the ~$2.5 trillion eligible pool. Government money market fund shares and cash deposits bring combined reserves to ~$310 billion, representing approximately 12% of the eligible pool. Under the

[3]SIFMA Research Quarterly: Fixed Income – Outstanding, Q2 2025: Total UST outstanding $28.7 trillion, Treasury bills 20.2% of total. SIFMA US Treasury Securities Statistics (Feb. 2026): Total UST outstanding as of January 2026: $30.3 trillion. Joint Economic Committee, Monthly Debt Update (January 2026): T-bills outstanding $6.55 trillion (21.2% of total public debt) as of December 2025. Sub-93-day eligible universe estimated at approximately $2.0–$3.0 trillion based on the fraction of outstanding bills with ≤93 days remaining maturity. See also TreasuryDirect, Bills Outstanding, https://www.treasurydirect.gov/auctions/announcements-data-results/ (auction sizes for 4-week, 8-week, 13-week, 17-week, and 26-week bills).

[4]Observable USDXX holdings (Feb. 19, 2026) span 16 of the approximately 25–27 CUSIPs with ≤93 days remaining maturity. This is consistent with portfolio management practice: a fund holding $22.5B across 16 CUSIPs achieves meaningful diversification without spreading positions too thinly across every available maturity date. Not every CUSIP carries equal outstanding; near-maturity CUSIPs that have accumulated multiple reopenings carry the largest outstanding and attract the most investment. See TreasuryDirect, Auction Query Results, https://www.treasurydirect.gov/auctions/auction-query/results/ (showing individual auction sizes for 4-week through 26-week bills).

assumption of uniform distribution across ~25 eligible CUSIPs, this implies average per-CUSIP stablecoin demand of $8–12 billion, or 8–12% of the ~$100 billion average per-CUSIP outstanding.[5]

The uniform-distribution assumption is generous. As detailed in Section IV.D, observable data from the two issuers providing CUSIP-level data shows positions across 13–16 of ~25 available CUSIPs—not the full set—and the largest holder (Tether, $122.3 billion) discloses no allocation data. Actual per-CUSIP concentration could range from the uniform assumption to over 20% in specific issues.

C. Projected Concentration at Scale

Published growth projections from Standard Chartered, Bloomberg Intelligence, and the Citi Institute suggest the stablecoin market will reach $500 billion to $1 trillion by late 2026–2027, and potentially $1.6–$3.7 trillion by 2030. The GENIUS Act's regulatory clarity is expected to accelerate this trajectory.[6]

Scenario	Total Stablecoin Reserves	% of Sub-93-Day Eligible Universe (~$2.5T)	Per-CUSIP (÷25 CUSIPs)	% of Avg CUSIP (~$100B)
Current (Feb '26)	$310B	12%	~$12B	~12%
End 2026 Base	$500B	20%	~$20B	~20%
End 2026 High	$750B	30%	~$30B	~30%
End 2027 Base ($1T)	$1.0T	40%	~$40B	~40%
$2T (Bessent target)	$2.0T	80%	~$80B	~80%
2030 Citi Base	$1.6T	64%	~$64B	~64%
2030 Citi High	$3.7T	>100%	>$100B	>100%

Note: Total stablecoin reserves represent the effective demand on the sub-93-day eligible asset pool because all permissible reserve assets—both direct T-bill purchases, reverse repurchase agreements, and government money market fund shares—are collateralized by or invest in Treasury securities from the same sub-93-day universe. Current stablecoin demand on the T-bill universe—comprising direct T-bill holdings (~$160–170B) and repos collateralized by T-bills (~$60B)—exceeds $200B, or approximately 8–10% of the eligible universe; the balance of remaining reserves is held in government MMFs (which themselves invest in T-bills and repos from the same pool) and cash deposits. Sub-93-day eligible universe estimated at ~$2.5 trillion (midpoint of $2.0–$3.0T range) based on the fraction of $6.5T in outstanding T-bills with ≤93 days remaining maturity. Per-CUSIP calculation distributes evenly across ~25 CUSIPs; actual concentration will be higher because issuers cluster in fewer CUSIPs (Circle: 16 of ~25; Ripple/RLUSD: 13; World Liberty Financial/USD1: zero direct T-bill CUSIPs).

[5]The demand pressure on the sub-93-day T-bill universe is not limited to direct T-bill purchases. Under the GENIUS Act, reverse repurchase agreements collateralized by eligible Treasuries also constitute permissible reserve assets. As of February 2026, Circle's USDXX fund allocates ~65% ($42.2B) to overnight tri-party repos, all collateralized by Treasury securities from the same sub-93-day eligible pool. At scale, the combined demand on the eligible T-bill universe from both direct holdings and repo collateral requirements approaches the full reserve amount. See Investment Company Institute, Comment Letter, TREAS-DO-2025-0037-0266 (November 2025), pp. 3–5 (discussing interaction between stablecoin reserves and money market fund assets within the same eligible universe).

[6]Standard Chartered Research, "Global Stablecoin Market Projections" (2025): base case $1 trillion by late 2026. Bloomberg Intelligence (2025): similar projection. Citi Institute, "Digital Dollars: The Future of Stablecoins" (April 2025): base case $1.6 trillion by 2030, high case $3.7 trillion. U.S. Treasury Secretary Scott Bessent, testimony before Senate Banking Committee (Feb. 2026): stated goal of $2 trillion in stablecoin-driven Treasury demand. See also Scott Bessent, remarks at the White House Digital Assets Summit (March 2025): "We are going to keep the dollar as the world's reserve currency and use stablecoins to extend dollar dominance."

The projected trajectory warrants attention: by the end-2027 base case ($1 trillion), stablecoin reserves would represent 40% of the eligible sub-93-day T-bill universe. Some issuers—notably Circle, whose reserves are held in an SEC-registered Rule 2a-7 government money market fund (USDXX)—already operate within an established prudential framework including 60-day WAM limits, 30% weekly liquid asset requirements, and mandatory liquidity fees. However, USDXX's protections apply only to the fund itself, not to the stablecoin redemption layer above it: USDC holders can redeem instantaneously and unconditionally, without the liquidity management tools available to the underlying 2a-7 fund. Issuers that hold reserves directly or through non-2a-7 structures—including Tether, the largest holder—operate under no equivalent framework. Critically, no existing prudential regime governs the aggregate cross-issuer concentration in specific CUSIPs, which is the principal concern of this letter. At the $2 trillion target articulated by Treasury Secretary Bessent, stablecoin reserves would absorb 80% of the eligible universe. By the Citi 2030 high case ($3.7 trillion), stablecoin demand would exceed the entire eligible universe—a mathematical impossibility without either (a) a massive expansion of short-term Treasury issuance, (b) a broadening of eligible maturities beyond 93 days, or (c) acceptance that the eligible reserve universe is structurally too small to absorb projected demand.

Treasury could, of course, expand bill issuance to accommodate growing stablecoin demand—bills outstanding have nearly doubled since 2019, from approximately $3.5 trillion to $6.5 trillion. But accommodating stablecoin-driven demand through additional short-term supply would work against the Department's stated objective of gradually extending the weighted-average maturity of the public debt. It would also create a new form of issuer dependency: if stablecoin reserves contract sharply during a crypto downturn, the resulting drop in auction demand for bills would force Treasury to find replacement buyers or shift borrowing toward longer maturities under stress—precisely when financing costs are elevated. The concentration problem, moreover, is not solely about aggregate supply but about per-CUSIP dynamics and the temporal clustering of demand at auctions, which expanding the bill calendar does not fully address.

C-1. Stablecoin Reserves as Net-New Treasury Demand

An important distinction is frequently overlooked in discussions of stablecoin reserve demand: stablecoin issuance predominantly converts sources of capital that would not naturally flow into Treasury securities—crypto-native activity, offshore dollar demand, emerging-market bank deposits, and cross-border remittances—into structural, CUSIP-level Treasury demand. High-frequency blockchain research confirms this: Kim (2025) uses intraday Tether minting events matched to Treasury ETF prices to demonstrate that large stablecoin issuance events cause statistically significant Treasury yield compression, establishing that the demand is genuinely incremental rather than a reshuffling of existing MMF allocations. The IMF's analysis of international stablecoin flows finds that activity is heaviest relative to GDP in Latin America and the Caribbean (7.7%) and Africa and the Middle East (6.7%)—populations with minimal access to U.S.-domiciled money market funds—while State Street (2025) explicitly characterizes direct MMF-to-stablecoin substitution as "low-probability," noting that stablecoins, as non-interest-bearing instruments, offer no yield incentive for institutional cash managers already holding MMFs at 4–5%.[7]

[7]Kim, S.R. (2025). "Macro-Financial Impact of Stablecoin's Demand for Treasuries," SSRN WP No. 5259528 (May 2025): high-frequency event study showing large Tether minting events cause statistically significant Treasury yield compression, establishing that issuance creates incremental demand pressure. Reuter, M. (2025). "Decrypting Crypto: How to Estimate International Stablecoin Flows," IMF WP No. 25/141 (July 2025): stablecoin activity heaviest relative to GDP in Latin America and the Caribbean (7.7%) and Africa and the Middle East (6.7%). State Street Global Advisors, "The Stablecoin Moment"

This distinction matters for the concentration analysis in two respects. First, the projected growth of stablecoin reserves to $1–$2 trillion represents genuine incremental demand on the sub-93-day T-bill universe, not a reshuffling of existing MMF assets—amplifying the eligible pool's absorption requirement beyond what MMF growth alone would imply. Second, and more constructively, it demonstrates that the structure of eligible reserve assets has direct fiscal policy consequences: a framework permitting issuers to hold a broader range of maturities would convert this net-new demand into structural support across the yield curve, reducing the Treasury's refinancing burden at longer tenors. The current 93-day restriction, by channeling all of this incremental demand into the shortest maturities, forfeits that fiscal benefit and replaces it with the concentration risk documented throughout this letter.

D. CUSIP-Level Concentration: What the Data Shows

The two issuers providing CUSIP-level data—Circle (16 CUSIPs via SEC-registered USDXX) and Ripple (13 CUSIPs for RLUSD via Deloitte-attested reports)—together account for only $23 billion of the estimated $200 billion in stablecoin T-bill demand. Using their observed CUSIP count as a more realistic denominator than the theoretical 25: $200 billion distributed across ~16 CUSIPs implies ~$12.5 billion per CUSIP (12.5% of the ~$100 billion average per-CUSIP outstanding)— higher than the 8% derived from a uniform assumption. At projected scale ($1 trillion in total reserves, the bulk of which draws on the same eligible pool through direct holdings, repos, and government MMFs), per-CUSIP demand would reach $40 billion under the uniform 25-CUSIP assumption and exceed $60 billion using the observed 16-CUSIP denominator—representing 40–60% or more of average per-CUSIP outstanding.[8]

The RLUSD data also reveals a dynamic that point-in-time reporting misses: reserve composition shifted from 55% T-bills ($760 million across 16 CUSIPs) to 25% ($338 million across 13 CUSIPs) in just two weeks as maturing issues were reinvested into government money market funds rather than new T-bills. This demonstrates how rapidly the demand footprint on specific CUSIPs can change—and why the GENIUS Act's disclosure framework should mandate reporting frequency, not merely content.[9]

(2025): MMF substitution characterized as "low-probability" because stablecoins are non-interest-bearing; foreign deposit conversion identified as "genuine net-new Treasury demand." See also Aldasoro, I. et al. (2025). "Stablecoins, money market funds and monetary policy," Economics Letters, vol. 247, 112203: monetary tightening produces simultaneous MMF inflows and stablecoin outflows, confirming structurally distinct investor bases.

[8]BlackRock Circle Reserve Fund (USDXX) Portfolio Characteristics and daily portfolio holdings, available at https://www.blackrock.com/cash/en-us/products/329365/circle-reserve-fund (accessed Feb. 20, 2026). Fund size: $64.7B (as of Feb. 19); WAM: 19 days; WAL: 19 days; daily liquid assets: 99.6%; weekly liquid assets: 100%. Portfolio comprises 16 T-bill CUSIPs totaling ~$22.5B (par) with maturities spanning 5–91 days and 14 overnight tri-party reverse repo positions totaling ~$42.2B across counterparties including Citi, Barclays, Goldman Sachs, Wells Fargo, BNP Paribas, J.P. Morgan, Nomura, Deutsche Bank, Royal Bank of Canada, and Crédit Agricole. The fund's largest single T-bill CUSIP (912797SL2, maturing Apr. 9, 2026) represents $3.164B par. CUSIP-level holdings are also filed monthly with the SEC as Form N-MFP3; see SEC EDGAR, CIK 0000844779.

[9]RLUSD Reserves Report, Deloitte & Touche LLP (Jan. 26, 2026), examining management assertion of Standard Custody & Trust Company, LLC as of December 17, 2025, and December 31, 2025. Outstanding supply: 1,278,206,224 RLUSD (Dec. 31); Reserve market value: $1,337,307,954. The report provides full CUSIP-level T-bill data: 13 CUSIPs as of December 31 (912797SE8 through 912797SC2), totaling $338,465,964 (25% of reserves), with maturities spanning January 6 through March 26, 2026. Government money market funds: $867,503,908 (65%); cash deposits at FDIC-insured institutions: $131,338,082 (10%). Notably, the reserve composition shifted materially between the two report dates: as of December 17, T-bills constituted 55% of reserves ($760M across 16 CUSIPs), but by December 31 had fallen to 25% ($338M across 13 CUSIPs) as maturing issues were largely reinvested into government MMFs. Custodied at Bank of New York Mellon. See https://ripple.com/solutions/stablecoin/transparency/.

Circle's SEC-mandated daily disclosure and RLUSD's NYDFS-required monthly attestation prove that CUSIP-level reporting is operationally feasible. But these transparent issuers represent 12% of sector T-bill exposure. Tether—holding $122.3 billion (61% of the total)—discloses nothing. USD1 discloses a single intermediary MMF CUSIP rather than underlying T-bill positions. The aggregate overlap across the full sector remains opaque. This is not a criticism of any issuer's reserve management practices; it is an observation about what the current attestation framework permits and what systemic risk modeling requires. Circle and Ripple disclose at the CUSIP level because their regulators require it. The framework's silence on this point—not issuer conduct—is the gap this letter asks the Department to close.[10]

V. Empirical Evidence: Stablecoin Flows Already Move Treasury Yields

The concentration risk described above is not theoretical. The Bank for International Settlements has published rigorous empirical evidence that stablecoin flows already exert measurable pressure on Treasury bill yields:[11]

Inflow effect: A $3.5 billion (2-standard-deviation) weekly inflow into stablecoins lowers 3-month T-bill yields by 2–2.5 basis points within 10 days. This effect is concentrated in the 3-month tenor with limited spillover to longer maturities.

Asymmetric outflow effect: Stablecoin outflows raise yields by two to three times as much as inflows lower them—i.e., +6–8 basis points per 2-standard-deviation outflow, compared to approximately –3 basis points for a corresponding inflow. The BIS attributes this asymmetry to the fact that issuers have discretion in timing purchases during inflows but face immediate liquidation pressure during redemptions.

Scale implication: The BIS notes that stablecoins purchased approximately $40 billion of T-bills in 2024 alone—comparable to the largest U.S. government money market funds and exceeding the T-bill purchases of most foreign governments. Stablecoin reserves now exceed the short-term U.S. securities holdings of China.

The asymmetric yield impact is the critical empirical finding for what follows: at scale, it implies that correlated redemption events would amplify selling pressure precisely when dealer balance sheets are most constrained—the mechanism described in Section VI.

VI. Systemic Transmission: The Five-Stage Mechanism

[10] USD1 Reserve Report, Crowe LLP (Jan. 30, 2026), examining management assertion as of December 31, 2025. Redemption assets: $2,814,802,204 in Fidelity Investments Money Market Government Portfolio, Institutional Class (CUSIP 31607A703, ticker FRGXX—a government money market fund investing in U.S. government securities and repos), plus $498,724,613 in demand deposit accounts, totaling $3,313,526,817 against 3,313,510,170 redeemable tokens. The single-MMF structure means USD1's Treasury demand is entirely intermediated; the underlying T-bill CUSIPs and repo counterparties are visible only in the Fidelity fund's own SEC filings, not in USD1's attestation. See https://www.bitgo.com/usd1/attestations/.

[11] BIS Working Papers No. 1270, "Stablecoins and Safe Asset Prices," Rashad Ahmed & Iñaki Aldasoro (May 2025). Key finding: $3.5 billion (2-standard-deviation) stablecoin inflow lowers 3-month T-bill yields by 2–2.5 basis points within 10 days. Asymmetric effect: outflows raise yields 2–3× as much as inflows lower them (+4–8 bps vs. −2–2.5 bps). The BIS notes that stablecoins purchased ~$40B of T-bills in 2024 alone, comparable to the largest U.S. government money market funds. Corroborated by BIS Bulletin No. 108, "The Role of Stablecoins in the Crypto-Asset Ecosystem."

The MIT Digital Currency Initiative has identified the structural fragility underlying stablecoin reserve liquidation, concluding that "maintaining par-value redemption may depend not only on backing-asset quality, but also on the functioning of Treasury and repo markets, the balance-sheet capacity of broker-dealers, and the operational reliability of blockchain-based transaction rails." The binding constraint is not asset quality but intermediation capacity.[12]

We identify a five-stage transmission mechanism through which CUSIP concentration risk propagates into systemic Treasury market stress:

Stage 1 – Redemption Trigger: A market event (crypto-specific or macro) triggers elevated stablecoin redemptions. Precedent: USDC depegged to $0.87 during the SVB crisis in March 2023, with $3.3 billion in reserves temporarily frozen at a single bank. The growth of the stablecoin market since then—from ~$130 billion to ~$310 billion—means the magnitude of any future redemption event would be proportionally larger.

Stage 2 – Concentrated Liquidation: The 93-day statutory restriction channels all issuers into the same pool of ~25 eligible CUSIPs. Low-WAM optimization further narrows holdings toward the nearest-maturity issues, increasing per-CUSIP overlap across issuers. Multiple issuers simultaneously liquidate identical securities. The selling is not diversified across the yield curve—it is concentrated in the same short-dated instruments by design.

Stage 3 – Dealer Balance Sheet Exhaustion: Primary dealers, constrained by the Supplementary Leverage Ratio (SLR), G-SIB surcharges, and Basel III capital requirements, cannot warehouse unlimited Treasury inventory during stress periods. The BIS's finding of asymmetric yield impact—outflows 2–3× more impactful than inflows—is consistent with intermediation capacity binding during selling pressure. Tether's 99% custodial concentration through Cantor Fitzgerald—which, as a primary dealer, provides deep execution capability—nonetheless means that a single firm's operational continuity, regulatory standing, and balance-sheet limits would gate $122+ billion in potential liquidation. The concentration is not a market-access problem under normal conditions; it is an operational single-entity dependency that creates tail risk if Cantor itself faces stress, regulatory action, or functional constraints during a correlated event.

Stage 4 – Repo Market Transmission: T-bill selling reduces collateral values in the repo market—which, according to the Office of Financial Research, averaged $12.6 trillion in daily exposures in Q3 2025, of which approximately $5.0 trillion (40%) is non-centrally cleared bilateral repo (NCCBR) with minimal haircuts. Better Markets has noted that "repo borrowing in [the] NBCCR market is highly concentrated in [a] small number of hedge funds that themselves are highly-leveraged. Adverse shocks can cause rapid, forced unwinds that cause Treasury bond prices to deteriorate."[13]

---

[12] Dan Aronoff, Chris Calabia, Anders Brownworth, Ashwanth Samuel & Neha Narula, "The Hidden Plumbing of Stablecoins: Financial and Technological Risks in the GENIUS Act Era," MIT Digital Currency Initiative (February 2026). Key finding: maintaining par-value redemption depends on Treasury and repo market functioning, dealer balance-sheet capacity, and operational blockchain reliability.

[13] Better Markets, Inc., Comment Letter, TREAS-DO-2025-0037-0336 (November 2025): "Repo borrowing in [the] NBCCR market is highly concentrated in [a] small number of hedge funds that themselves are highly-leveraged. Adverse shocks can cause rapid, forced unwinds that cause Treasury bond prices to deteriorate." See also Dennis Kelleher & Stephen Hall, "Comment on GENIUS Act ANPRM," Better Markets (Nov. 2025), pp. 8–12.

Stage 5 – Basis Trade Contagion: T-bills and repos are both expressions of short-term funding rates. Stress in T-bill markets directly feeds into repo rate volatility, which in turn raises funding costs for leveraged Treasury basis trades (hedge fund cash-futures arbitrage positions funded in the repo market). This is the mechanism through which short-end stress transmits across the entire yield curve: spiking repo rates force unwinding of longer-dated basis trade positions, as occurred during the March 2020 episode that required emergency Federal Reserve intervention.[14]

VII. The 93-Day Maturity Cap and the Liquidity Misconception

The concentration analysis above reveals a structural misconception embedded in the GENIUS Act's reserve framework: the assumption that shorter maturity is a reliable proxy for superior liquidity. This conflation—while intuitive—is analytically incomplete and, at scale, produces the opposite of its intended effect. Reserve collateral, properly understood, has two distinct and equally necessary components: par redemption capacity and market liquidity. The 93-day maturity cap is well-calibrated for the first and fundamentally undermines the second.

Par redemption capacity refers to the ability of an issuer to return $1.00 to a redeeming holder without realizing a loss on reserve assets. Short maturities reduce this risk: a T-bill maturing in 30 days carries minimal mark-to-market exposure and will return par without forced sale. The 93-day cap addresses this dimension directly and appropriately.

Market liquidity refers to the ability to liquidate reserve assets at scale without moving the market—specifically, without the act of selling itself causing the value received to fall materially below par. This dimension is not a function of individual security maturity; it is a function of the depth and absorptive capacity of the market for those securities relative to the volume being liquidated. And here the 93-day cap fails: by channeling all compliant issuers into the same pool of approximately 25 CUSIPs, it creates conditions under which par-redeemable assets become illiquid in precisely the stress scenarios where liquidity is most urgently required. The assets are short-dated, but the market for them is crowded. When multiple issuers simultaneously liquidate identical CUSIPs—which the statutory design makes structurally inevitable—the per-CUSIP selling pressure overwhelms dealer intermediation capacity, and market prices deviate from par regardless of maturity.

The GENIUS Act's current definition of eligible reserve assets is therefore incomplete as a liquidity standard. It defines liquidity solely in terms of par redemption capacity—a single-issuer, non-stress metric—without accounting for market liquidity under correlated stress, which is a systemic, multi-issuer metric. An asset that is individually par-redeemable is not necessarily liquid at the sector level if every issuer holds the same asset and must sell it simultaneously. True reserve collateral requires both: par redemption at the individual level and market depth at the aggregate level. The 93-day cap optimizes for one to the detriment of the other, and as the stablecoin sector scales, the gap between these two dimensions of collateral reserves will widen.

The parallel with money market fund regulation is instructive. SEC Rule 2a-7 does not rely on a single maturity threshold to define liquidity; it requires concurrent satisfaction of WAM limits (60 days),

[14]SIFMA Fixed Income Market Structure Compendium (February 2025). Repo market: $4.4 trillion average daily outstanding. Only 37% centrally cleared; 48% non-centrally cleared bilateral repo (NBCCR) with zero haircuts. See also Federal Reserve Bank of New York, Tri-Party Repo Statistics, https://www.newyorkfed.org/data-and-statistics/data-visualization/tri-party-repo/.

WAL limits (120 days), daily liquid asset minimums (10%), and weekly liquid asset minimums (30%)—a multi-dimensional framework that balances par stability with portfolio-level market liquidity. The GENIUS Act's single 93-day maturity cap is, by comparison, a one-dimensional standard that achieves par-redemption safety at the cost of systemic market-liquidity risk.

Procyclical demand: Stablecoin reserve demand for T-bills is procyclical with respect to the broader economy and risk appetite, though the dynamics are nuanced. During crypto-specific stress (such as the FTX or Luna collapses), stablecoin AUM may initially grow as capital rotates from volatile tokens into stablecoins—a flight-to-quality within the digital asset ecosystem. The systemic threat to Treasury markets materializes when stress triggers fiat-denominated exits: either a macro downturn that drives broad risk-off behavior across both crypto and traditional markets, or a loss of confidence in stablecoin issuers themselves (as during the SVB episode, when USDC depegged and $3.3 billion in reserves were frozen). In these scenarios, redemptions spike precisely when dealer balance sheets are most constrained — the same macro stress that triggers stablecoin exits also compresses intermediaries' capacity to warehouse inventory. Rather than a stable safe-haven bid absorbing the selling, the April 2025 tariff episode and the March 2020 dash-for-cash both demonstrated that T-bill markets themselves can become dislocated under macro stress. Stablecoin-driven forced liquidation would amplify, not counteract, those dynamics.

No maturity extension: Stablecoin reserves managed at short WAMs generate enormous gross reinvestment demand without extending the maturity of the public debt. The only issuer disclosing WAM data—Circle's USDXX fund, at 19 days and ~$22.5 billion in T-bills—implies average daily maturities of approximately $1.2 billion that must be continuously rolled at each Tuesday and Thursday auction cycle. Issuers like World Liberty Financial that route reserves through government MMFs generate equivalent turnover indirectly. If the broader stablecoin sector operates at similar WAMs, the aggregate annual reinvestment demand from T-bill and repo positions—currently exceeding $200 billion—would approach $4 trillion or more, concentrated entirely in the shortest maturities and requiring continuous participation in primary auctions. This works directly against the Treasury Debt Management objective of lengthening the average maturity profile.

Yield distortion: The BIS has documented that stablecoin flows compress short-term yields by 2–2.5 basis points per $3.5 billion in inflows. At scale, this demand pressure could artificially suppress T-bill rates below fundamental value, distorting monetary policy transmission and crowding out traditional money market participants.

SEC Commissioner Hester Peirce has observed that the GENIUS Act's reserve requirements are more stringent than those applicable to registered government money market funds—noting that a 100% capital haircut on payment stablecoins would be unnecessarily punitive given the quality of their underlying reserve assets. Rule 2a-7 government money market funds can hold securities with remaining maturities up to 397 days (WAM of 60 days)—more than four times the GENIUS Act's 93-day limit. This restriction, while intended to ensure liquidity, inadvertently creates the concentration dynamics documented in this letter.[15]

[15]SEC Commissioner Hester Peirce, remarks on GENIUS Act reserve requirements being "more restrictive than money market funds." Under SEC Rule 2a-7, government money market funds may hold securities with remaining maturities up to 397 days, subject to a portfolio WAM limit of 60 days and a weighted-average life (WAL) limit of 120 days. The GENIUS Act's 93-day maximum maturity is more than four times as restrictive and permits no extension mechanism.

VIII. Conclusion

The analysis presented in this letter demonstrates that the GENIUS Act's eligible reserve asset framework creates a structural capacity constraint that will manifest as CUSIP-level concentration risk as the stablecoin market scales. This is not a hypothetical concern: the BIS has already documented measurable yield impacts from stablecoin flows at current scale, and the asymmetric effect of outflows suggests that the systemic consequences of a correlated redemption event would be disproportionately severe. Critically, this risk was not identified in any of the over 90 comment letters submitted during the ANPR period—a gap we attribute to the fact that current attestation standards do not generate the CUSIP-level data necessary to observe cross-issuer portfolio overlap.

We respectfully urge the Department to consider the following in developing the NPRM:

1. Request CUSIP-level reporting. Current attestation standards disclose aggregate reserve composition but not individual CUSIP holdings. Without CUSIP-level data, neither the regulator nor the market can assess the degree of overlap across issuer portfolios. The NPRM should require CUSIP-level disclosure of Treasury holdings, counterparty exposure, and custodian identity.

2. Model concentration risk explicitly. The Department should conduct its own analysis of the eligible reserve universe's capacity to absorb projected stablecoin growth. The arithmetic presented in this letter suggests that stablecoin reserves will claim a substantial and potentially destabilizing share of the sub-93-day T-bill universe—reaching approximately 40% by the end-2027 base case, 80% under the Treasury Secretary's stated $2 trillion target, and exceeding the universe's total capacity under Citi's high-case assumptions.

3. Assess custodian concentration. Tether's 99% custodial concentration through Cantor Fitzgerald—while providing deep primary-dealer execution capacity under normal conditions—creates an operational single-entity dependency that warrants regulatory attention. The NPRM should consider custodian diversification requirements for issuers above a specified reserve threshold.

4. Evaluate the 93-day maturity cap in light of capacity constraints. The statutory catch-all provision at Section 4(a)(1)(A)(vii), which permits "any other similarly liquid Federal Government-issued asset approved by the primary Federal payment stablecoin regulator," provides the legal authority to address the concentration problem identified in this letter. Multiple commenters—including Circle, Ripple, Visa, and Stripe—have recommended that this provision be interpreted to encompass a broader range of Treasury maturities.[16]

5. Commission an interagency study. Given the cross-cutting nature of this risk—spanning Treasury Debt Management, the Federal Reserve's monetary policy transmission, SEC-regulated money market funds, and CFTC-regulated derivatives markets—the Department should convene an interagency study of stablecoin reserve concentration and its implications for Treasury market functioning.

[16]Circle Internet Group, Inc., Comment Letter, TREAS-DO-2025-0037 (November 2025), p. 12 ("The current 93-day limit may unnecessarily constrain reserve management"). See also Ripple Labs, Inc., Comment Letter, TREAS-DO-2025-0037 (November 2025), p. 6; Visa Inc., Comment Letter, TREAS-DO-2025-0037-0311 (November 2025); Stripe, Inc., Comment Letter, TREAS-DO-2025-0037-0341 (November 2025).

Sesame Vault Inc ("Sesame Vault") is a collateral optimization infrastructure platform purpose-built for permitted payment stablecoin issuers ("PPSIs"). Our team brings decades of experience in quantitative portfolio management, Treasury market microstructure, derivatives structuring, and financial regulation. We acknowledge that as a service provider to stablecoin issuers, we have a commercial interest in the development of this regulatory framework. The analysis is submitted on its merits, and all data cited herein is drawn from publicly available attestation reports, SEC filings, and academic research that the Department can independently verify. We submit this letter to raise a structural risk that has received insufficient attention in the comment record to date: the emergent concentration of stablecoin reserve portfolios into an increasingly narrow set of Treasury bill CUSIPs, and the systemic consequences this concentration poses for the Treasury and repo markets. We respectfully urge the Department to take this analysis under advisement as it develops the NPRM, as the structural dynamics documented herein will intensify as the stablecoin market scales toward the trajectories projected by the Department and independent analysts alike.

We appreciate the Department's commitment to thoughtful rulemaking and welcome the opportunity to provide additional data, analysis, or technical expertise as the NPRM process continues. We are available to brief Department staff on any aspect of this analysis at the Department's convenience.

Respectfully,
Dimitris Pagonakis
Founder & Chief Executive Officer

sesame vault

cc: Deputy Secretary Michael Faulkender
General Counsel Brian Morrissey
Office of Financial Research