

Do stablecoins affect monetary policy transmission?

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2nd prize in the 2025 Eco Notepad blog competition

The pegging of stablecoins to currencies or commodities is designed to mitigate the price volatility of crypto-assets. Billed as stable, easy to use, anonymous and with low transaction costs, stablecoins offer an alternative to fiat currency that lies outside the authority of central banks. However, their use raises concerns over a possible loss of control over monetary policy.

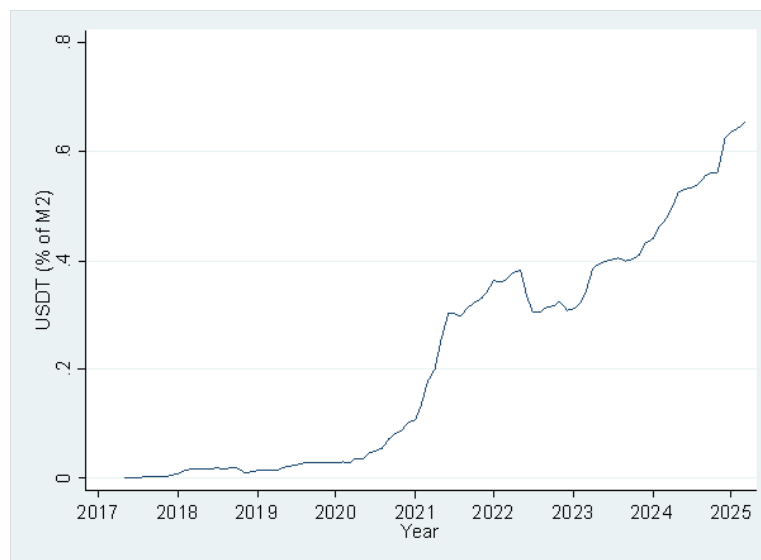


Chart 1: Capitalisation of Tether (USDT) (% of M2 money supply)

Sources: Glassnode and FRED (Federal Reserve Economic Data), author's calculations.

Notes: USDT (%) of M2, Year

Potential disruption mechanisms

Use of stablecoins is growing, as demonstrated by the sharp rise in issuance (see Chart 1 on the case of Tether (USDT)). The Genius Act in the United States and MiCA regulation in the European Union oblige issuers to back their outstanding stablecoins with an equivalent

amount of liquid assets (such as government bonds). The reforms are designed to build trust in the market by making it more resilient. Both measures promote the use of stablecoins but create a potential substitution effect for traditional currencies.

Implemented by central banks, monetary policy relies on the ability of key rates to influence money supply via market and credit rates. Since stablecoins compete directly with money, this raises the question of whether they could weaken the transmission of monetary policy.

The boom in stablecoins could lead to an increase in their use as a payment instrument and/or store of value. In other words, there is a risk of leakage from traditional money managed by banks to settlement assets created by private stablecoin issuers. There are at least three channels through which the rise of stablecoins could affect monetary policy transmission via banks (ECB, 2020; Cardillo et al., 2025).

a. The bank deposit channel

Customer deposits are a cheap source of funding for banks. However, if customers start to adopt stablecoins as a store of value at the expense of deposits, banks could be forced to use costlier financing channels (debt), leaving them more vulnerable to changes in the rates at which they refinance themselves. In this case, changes to key rates will have a bigger impact on short-term rates.

b. The central bank money liquidity channel

If more payments and investments are made in stablecoins, demand for central bank money will decline. This will alter the dynamics of money markets and notably the mechanisms for setting interbank rates, with an easing of pressure on short-term rates. Consequently, interest rates will become less sensitive to changes in key rates.

c. The channel of demand for risk-free assets

Risk-free assets (such as Treasury Bills) are frequently used as collateral for stablecoins, particularly since the adoption of the Genius Act. If demand for these short-term assets increases due to stablecoin issuance, pushing their prices up and their yields down, this could weaken their link with key rates and disrupt bank financing in the repo market where risk-free assets are widely used as collateral. However, if stablecoins are used as a substitute for money market funds, demand for risk-free assets will remain unchanged. The significance of this channel therefore needs to be put into perspective.

In the United States, we identify four rates that could be disrupted by stablecoin issuance:

- the Secured Overnight Financing Rate (SOFR), which measures the cost of very short-term financing secured by US Treasuries (risk-free assets channel, deposit channel);
- the Effective Federal Funds Rate (EFFR), which is the average rate at which US banks lend to each other in the wholesale overnight market (liquidity channel);
- 1-90 day bank commercial paper (CP) rates, which are the rates on unsecured short-term debt instruments (deposit channel);
- yields on US 1-3 month Treasury Bills (risk-free assets channel).

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Real but minimal disruptions

In this section, we use a “local projections” method to estimate empirically the potential impact on these rates of monetary policy transmission disruptions caused by the issuance of different quantities of dollar-denominated Tether (USDT). The idea is to measure, using coefficients estimated over different time horizons (maximum of 100 days), the direct (“undifferentiated”) effect of a monetary policy shock, and the effect of the same shock when it interacts with Tether issuance. The monetary policy shocks used are those identified by [Bauer and Swanson \(2023\)](#).

Chart 2 shows the interaction coefficient for each time horizon, which estimates the dynamic effects on each rate of an abnormal disruption to a monetary policy shock caused by an increase in the number of USDT. Chart 3 shows the undifferentiated effect of the monetary policy shock over the same time horizons. Comparing the two charts indicates whether there is a disruption. As the sample is restricted to available monetary shock data for the period 3 April 2018 to 29 December 2023, our initial results should be interpreted with caution.

For the SOFR and CP rates, however, we observe a significant interaction coefficient, with the opposite sign to that for the monetary policy shock. This result is confirmed by [Barthélémy et al. \(2023\)](#), and suggests that the emergence of stablecoins may have disrupted the transmission of monetary policy in repo and money markets. The reaction of these markets to a monetary tightening shock may have been weakened by an increase in the number of stablecoins.

Nonetheless, the disruption is very weak: according to our estimates, the issuance of USD 10 billion of additional USDT would cause a maximum reduction of 0.7 basis points in the marginal impact of a monetary policy shock on the SOFR. Moreover, the absence of an impact on the EFFR shows how closely the FED controls the targeting of its key rates via its different monetary policy tools. As expected, we find no impact on Treasury yields.

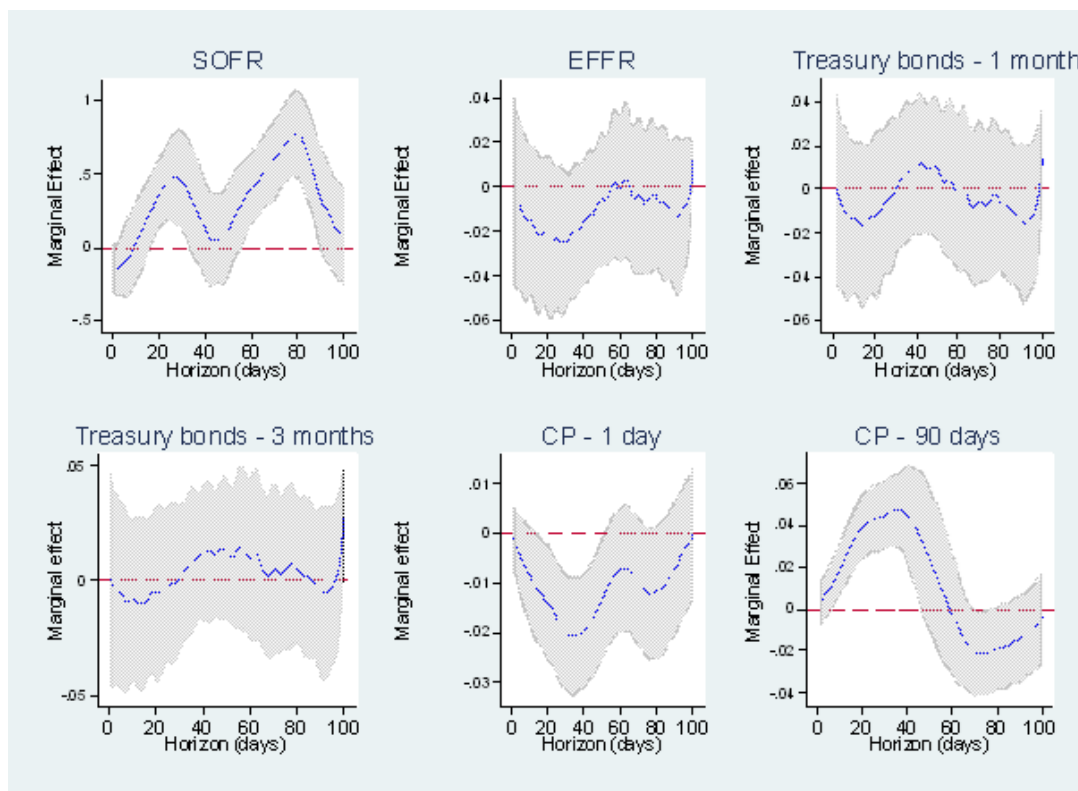


Chart 2: Differentiated effect of monetary policy depending on USDT issuance

Sources: Glassnode, BIS, [Bauer and Swanson \(2023\)](#) and FRED (Federal Reserve Economic Data), author's calculations.

Notes: Marginal effect, Horizon (days), SOFR, EFFR, 1-month Treasuries, 3-month Treasuries, 1-day CP, 90-day CP

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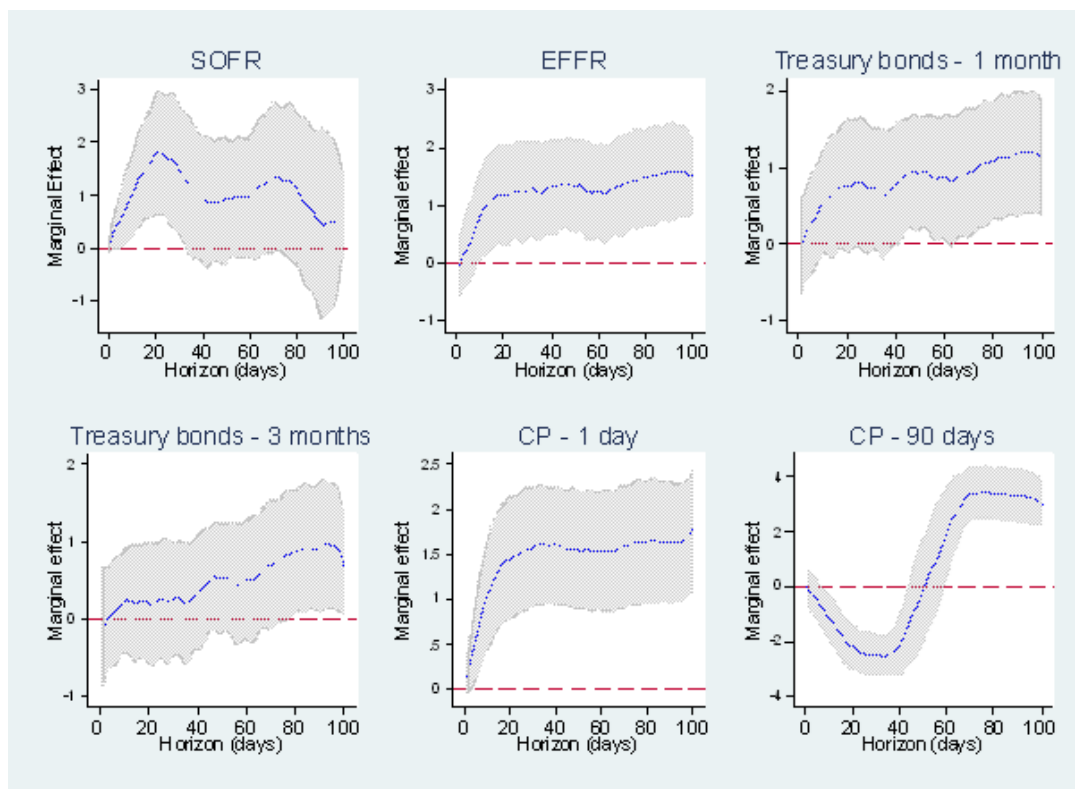


Chart 3: Effect of a monetary policy shock

Source: Glassnode, BIS, [Bauer and Swanson \(2023\)](#) and FRED (Federal Reserve Economic Data), author's calculations.

Solutions for retaining control of monetary policy

Although stablecoins are still far from rivalling traditional currencies, our results suggest they could have disruptive effects that cannot be ignored in future monetary policy conduct, especially if stablecoin use extends beyond crypto markets. This supports the idea that stablecoins could become a form of shadow money, substituting deposits or repos, but without affecting the rates directly controlled by central banks.

The creation of a central bank digital currency (CBDC), such as the digital euro, could limit the impact of stablecoins on monetary policy transmission by offering a safer digital alternative ([Cardillo et al., 2025](#)). A CBDC would be a central bank liability and therefore default risk-free, and would limit demand for stablecoins. Its adoption would also make it easier to regulate the amount of digital currency issued.

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