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Trump Boosts Tether, Circle by Tying Stablecoins to Dollar

- US crypto czar sees potential for extending dollar dominance
- USDT, USDC account for almost 90% of total stablecoin value

By [Ryan Weeks](#), [Olga Kharif](#), and [Suvashree Ghosh](#)

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President Donald Trump brought crypto stablecoins to the forefront of efforts to preserve the dollar's global supremacy, firmly aligning the US government's interests with those of issuers like [Tether Holdings Ltd.](#) and [Circle Internet Financial Ltd.](#)

Trump on Thursday signed an executive order to protect the dollar, “including through actions to promote the development and growth of lawful and legitimate dollar-backed stablecoins worldwide.” At the same time, he barred any further work on a central bank digital currency, blocking an instrument seen as a potential competitor to stablecoins.

The order thrust stablecoins – cryptocurrencies designed to be less volatile than tokens like Bitcoin and thus more suitable for payments and transfers – into the battle to keep the dollar as the world's reserve currency in the face of resistance from geopolitical rivals like China and Russia.

It also plays to arguments Tether Chief Executive Officer Paolo Ardoio and his counterpart at Circle, Jeremy Allaire, have made publicly as they sought to promote use of their stablecoins.

Paolo Ardoino  

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Issuers like Circle and Tether are among the “big winners” from Trump’s executive order, said [Campbell Harvey](#), a finance professor at Duke University.

Stablecoins aren’t without their detractors. The sudden unraveling of one called TerraUSD in 2022 stirred debate about how they might affect financial stability and sparked a brief rush by Tether holders to redeem their coins. The previous year, Tether agreed to pay \$41 million to settle Commodity Futures Trading Commission allegations that it lied about its reserves.

There are also concerns about how the tokens are being used, and by whom. A report published by TRM Labs in March said Tether’s USDT was the most-used stablecoin for criminal activity like terrorism financing in 2023. The Wall Street Journal reported in October that federal prosecutors in Manhattan were probing Tether for possible violations of sanctions and anti-money-laundering rules.

Tether has said it’s unaware of any such investigation, and that it’s working with law enforcement agencies to ensure it’s token isn’t used for illicit purposes.

“We are hopeful that new regulations will provide much-needed clarity for corporations, institutions, and fintech companies looking to enter the digital assets space,” Tether said in a statement Friday.

Stablecoins’ Expanding Role

Under Trump, who campaigned as a crypto advocate, unease around stablecoins is giving way to supporting them.

Stablecoin legislation has been debated in Congress for years. Trump’s executive order directed a specially created working group to recommend a regulatory framework for digital assets including stablecoins within six months. “That is lightning speed,” Duke’s Campbell said.

Trump’s executive order comes as the tokens are being increasingly used for payments and money transfers, especially in emerging economies – giving them greater significance as dollar proxies.

White House AI and crypto czar David Sacks, a venture capitalist and major political donor, said on Thursday that stablecoins offer “the opportunity to extend the dollar’s dominance internationally,” adding that the US “can basically create a digital dollar that people all over the world will use.”

Other jurisdictions, including the European Union and China, are taking a different approach by pursuing digital currencies issued by central banks, known as CBDCs. Under the EU’s new Markets in Cryptoassets regime, crypto exchanges must delist Tether’s coin from their platforms in the bloc because the company doesn’t yet have the requisite e-money license.

Competitive Advantage

“In the digital asset space that is forming, the US will follow the market-based approach of pushing for cryptocurrencies and stablecoins on which the US has a competitive advantage and will have an increasing one in coming years,” said Brunello Rosa, head of research at Rosa and Roubini Associates and author of *Smart Money: How digital currencies will win the New Cold War - and why the West needs to act now*.

While there are stablecoins tied to other currencies like the euro and the Philippine peso, the vast bulk of tokens in circulation are dollar-linked. Tether's USDT and Circle's USDC, the biggest ones by far, account for almost 90% of stablecoins' total market value.

As Tether and Circle expand, so too does their buying of dollar-denominated debt securities, because they must hold such assets to back their stablecoins. Tether held \$84.5 billion of Treasury bills as of Sept. 31; Circle held \$15.1 billion of Treasury securities and another \$19.3 billion of Treasury repurchase agreements at the end of November.

The role as a key marginal buyer of US government debt isn't lost on Tether's Ardoio, who is stepping up lobbying to drive that point home to Trump's team.

“Having new buyers and such a diverse, decentralized user base for purchasing and holding T-bills is going to be very very important to the future of the US economy,” he said in a Jan. 17 interview with Bloomberg Television's Francine Lacqua. “And we want to be able to have a shot in explaining that to the new administration.”



Tether Chief Executive Officer Paolo Ardoio

The strategy of promoting dollar-denominated private stablecoins comes with risks as they get more widely adopted, according to Rosa.

“The risk is that you allow a market to develop without enough checks and balances and therefore this will be the place for irrational exuberance and eventually another crypto crash,” he said.

The Financial Stability Board said in an October report that while use of stablecoins for payment and settlement is limited, “the linkages between crypto-asset markets and core financial markets continue to increase and may lead to risks to financial stability.”

For now, Trump’s actions are emboldening stablecoin operators. Tether may consider expanding in the US, albeit in a “cautious way,” Arduino told Lacqua. The company didn’t immediately respond to a request for comment on the implications of Trump’s executive order.

Tether’s reserves are partly managed by Cantor Fitzgerald LP, whose CEO Howard Lutnick is Trump’s pick for commerce secretary. Lutnick has said he’d leave Cantor if confirmed.

Circle confidentially filed a draft registration for an initial public offering with the Securities and Exchange Commission in January 2024. Allaire said in October that the firm remains committed to the listing despite delays. USDC’s circulation has swelled almost 50% since Trump’s election win, to \$52 billion.

“The EO makes clear that the US will also be a leader in rules-based free market competition for the movement of money,” Dante Disparte, Circle’s chief strategy officer and head of global policy, said in a statement.

Trump’s executive order “not only benefits US-based issuers but also has a global ripple effect, supporting the growth of USD-backed stablecoins across jurisdictions,” said Vincent Chok, CEO of Hong Kong-based stablecoin issuer First Digital.

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– *With assistance from Anna Irrera, Sidhartha Shukla, and Emily Nicolle*

(Adds comment from Tether in the ninth paragraph.)

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