Bitcoin Policy Institute

POLICY BRIEF

# BITCOIN-ENHANCED TREASURY BONDS: AN IDEA WHOSE TIME HAS COME

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## ABOUT THE AUTHOR

**Andrew Hohns, PhD, Founder & Chief Executive Officer, Newmarket and Battery Finance.** Dr. Hohns founded Newmarket in 2020 and Battery Finance in 2022. Dr. Hohns has overseen transaction structuring and negotiation for approximately $50 billion of notional credit investments, with expertise in structured finance, infrastructure, impact investment, development finance, and bitcoin. Prior to founding Newmarket, Dr. Hohns was a Managing Director at Mariner Investment Group, where he launched the IIFC strategy in 2012. Prior to Mariner, he served as a Managing Director at Cohen & Company, which he joined at its inception in 2001. Dr. Hohns served as an Adjunct Assistant Professor at New York University's Stern School of Business from 2012 to 2015. Dr. Hohns holds a BS in Economics from the Wharton School at the University of Pennsylvania, a Masters in Liberal Arts from the School of Arts and Sciences at the University of Pennsylvania, and a PhD in Applied Economics and Managerial Sciences from the Wharton School at the University of Pennsylvania. Dr. Hohns serves as a member of the Board of Directors of Fold Holdings, Inc. (NASDAQ: FLD). Dr. Hohns is also a member of the Board of Directors of UNICEF USA.

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The BPI team comprises experts in economics, law, philosophy, energy, and environmental science, working together to explore the impacts of new technology on existing US public policy interests.

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# POLICY BRIEF

# Bitcoin-Enhanced Treasury Bonds:
An Idea Whose Time Has Come

# EXECUTIVE SUMMARY

The United States faces an unprecedented fiscal challenge with approximately $9 trillion of federal debt maturing within the next twelve months, and over $14 trillion within the next three years. This substantial refinancing requirement, combined with prevailing market interest rates approaching 4.5%, creates significant ongoing costs to service this debt.These costs place an extraordinary burden on taxpayers, substantially constrain the government's fiscal flexibility, and limit the nation's economic growth potential.

Building on President Donald J. Trump's March 6, 2025 Executive Order establishing the Strategic Bitcoin Reserve, this white paper proposes that the United States adopt Bitcoin-Enhanced US Treasury Bonds ("₿ Bonds" or "BitBonds") as an innovative fiscal tool to address multiple critical objectives. The Executive Order recognizes bitcoin as a strategic reserve asset—akin to digital gold—and authorizes the Secretaries of Treasury and Commerce to develop budget-neutral strategies for acquiring additional bitcoin without imposing costs on American taxpayers. The ₿ Bonds program represents a direct implementation of this directive.

**The ₿ Bonds framework is engineered to accomplish four critical objectives:**

**01**

Substantially reduce the interest burden on Treasury bonds, generating immediate fiscal relief;

**02**

Expand the Strategic Bitcoin Reserve at no additional cost to taxpayers, rapidly building our nation's bitcoin holdings;

**03**

Create a tax-advantaged savings vehicle for American families that provides both security and growth potential; and

**04**

Develop a viable pathway to defease a substantial portion of the federal debt over time through asset appreciation rather than increased taxation or reduced spending.

The proposed structure allocates 90% of bond proceeds to conventional government funding operations and 10% to bitcoin acquisition. This balanced approach maintains the traditional stability of Treasury instruments while providing strategic exposure to the growth potential of bitcoin. By leveraging America's position as a global financial and technology leader, ₿ Bonds offer multiple mechanisms to reduce the overall debt burden while strengthening the nation's strategic position in the evolving monetary landscape. ₿ Bonds leverage the administration's leadership in positioning America as the world's "bitcoin superpower."

Detailed financial analysis indicates that implementation of the ₿ Bonds program at the proposed scale of $2 trillion (approximately 20% of 2025 refinancing needs) could generate annual interest savings of $70 billion compared to conventional Treasury issuance. Over a ten-year period, this represents nominal savings of $700 billion and a present value of $554.4 billion. After accounting for the initial bitcoin purchase of $200 billion, the program delivers net taxpayer savings of $354.4 billion even if bitcoin prices remain static. When considering historical bitcoin performance metrics, the government's share of appreciation could, under median growth scenarios, generate sufficient returns to substantially reduce or even eliminate the federal debt burden for future generations of Americans.

**Figure 1:** The View from Grand Teton


**OVER $14 TRILLION OF U.S. FEDERAL DEBT** is maturing within the next 3 years. Rolling this debt at current interest rates is expensive, creating an urgent need for innovative solutions

Secretary Bessent has stated that the US Treasury will aim to spread **FUTURE TREASURY ISSUANCES ACROSS DURATION,** avoiding a repeat of the refinancing wall

**LOWER INTEREST RATES ON THE UST 10 YR** will reduce burdens on taxpayers, stimulate economic activity, and improve housing affordability

**PRESIDENT TRUMP CREATED THE US STRATEGIC BITCOIN RESERVE** directing the Federal Government to acquire bitcoin through revenue neutral strategies

By creatively integrating Bitcoin into Treasury bonds, the US can **REDUCE BORROWING COSTS AND DEFEASE THE FEDERAL DEBT**

Additional value can be unlocked through tax-advantaged structures to create **A NEW AND BETTER SAVINGS TOOL FOR AMERICAN FAMILIES**

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# THE STRATEGIC BITCOIN RESERVE EXECUTIVE ORDER

On March 6, 2025, President Donald J. Trump signed an Executive Order establishing a Strategic Bitcoin Reserve and a U.S. Digital Asset Stockpile. This landmark order positions the United States as a leader in bitcoin adoption and recognizes bitcoin's potential strategic value to the nation. The Executive Order specifically designated bitcoin as "digital gold" due to its scarcity, security properties, and fixed supply of 21 million coins.

The Executive Order establishes several key principles for the Strategic Bitcoin Reserve:

- Bitcoin is designated as a reserve asset, similar to gold or other strategic resources, recognized for its unique properties and as a store of value.
- The Strategic Bitcoin Reserve has been initially capitalized with bitcoin owned by the Department of Treasury that was forfeited through criminal and civil asset forfeiture proceedings.
- Federal agencies will evaluate their legal authority to transfer any bitcoin owned by those agencies to the Strategic Bitcoin Reserve.
- The United States will not sell bitcoin deposited into the Strategic Bitcoin Reserve.
- The Secretaries of the Department of Treasury and the Department of Commerce are directed to develop and implement budget-neutral strategies to acquire additional bitcoin.

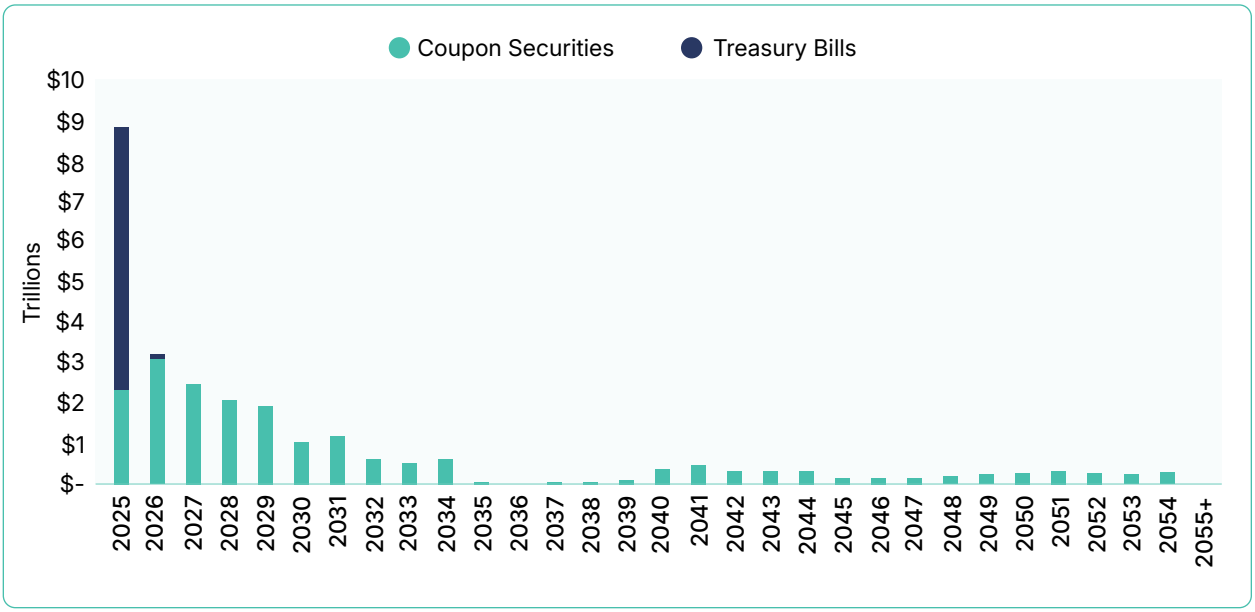
The ₿ Bonds program proposed in this white paper builds upon this foundation. It represents a concrete implementation of the President's Executive Order to develop budget-neutral strategies to acquire additional bitcoin, while simultaneously addressing one of the nation's most pressing fiscal challenges: the need to refinance trillions in government debt at more favorable rates.

# STRATEGIC CONTEXT AND FISCAL CHALLENGE

## The Refinancing Wall and Interest Burden

The United States government faces a refinancing "wall" of approximately $14 trillion of federal debt maturing within the next three years.[1] This represents one of the largest debt rollover events in U.S. history and occurs at a time when interest rates remain significantly elevated compared to the prior decade. Current 10-year Treasury rates are hovering around 4.5%, implying significantly higher annual interest expense compared to maturing obligations.[2]

**Figure 2:** Over $6 trillion of short-term Treasury Bills and $7.5 trillion in longer term Coupon Securities Mature over the Next Three Years (Source).




[1] U.S. Department of the Treasury. March 2025. *US Treasury Monthly Statement of Public Debt (28 Feb 2025)*. U.S. Department of the Treasury. https://fiscaldata.treasury.gov/datasets/monthly-statement-public-debt/detail-of-treasury-securities-outstanding
The total outstanding debt coming due through 3/31/2026 amounted to approximately $9.12 trillion, and through 3/31/2028 amounted to approximately $14.26 trillion.
[2] BPI analysis based on U.S. Department of the Treasury. March 2025. *Daily Treasury yield curve rates.* U.S. Department of the Treasury. https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curvehttps://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve

The prospect of elevated interest cost would be a compounding burden on the federal budget, as increased debt service requirements consume resources that could otherwise fund essential government services, infrastructure investments, or tax reductions. The traditional approach to refinancing simply perpetuates and enlarges the debt cycle without establishing a meaningful pathway for debt reduction. Each refinancing at current market rates exacerbates the timeline to achieve fiscal sustainability and places increased burdens on future generations of Americans.

The magnitude of the refinancing challenge requires innovative solutions that can reduce current interest expenses while establishing mechanisms for long-term debt reduction. Patchwork solutions like shortening duration are now exhausted and leave little room to alter the mix of Treasury instruments without reducing the overall debt burden over time.

**The convergence of this significant refinancing need with the establishment of the Strategic Bitcoin Reserve creates a unique opportunity to address both challenges simultaneously through a single innovative instrument.**

# THE ₿ BONDS FRAMEWORK

## The ₿ Bonds Framework

Bitcoin-Enhanced Treasury Bonds operate similarly to conventional Treasury securities but with an embedded bitcoin component that transforms their risk-return profile. The U.S. Treasury would issue ₿ Bonds with a stated face amount (e.g., $100) and maturity (for instance, 10 years). Unlike traditional bonds where all proceeds go to general funding, a fixed portion of each BitBond (10%) is used immediately to purchase bitcoin for the Treasury's Strategic Bitcoin Reserve. The remaining majority of proceeds (90%) still finances government operations in the usual way.

**Figure 3:** Building the Strategic Bitcoin Reserve[3]


**$200 Billion**
Total to Bitcoin (10% of $2 TR)

**2.22M BTC**
Bitcoin Purchased ($90k/BTC)

Under this structure, if $2 trillion worth of ₿ Bonds were issued (roughly 20% of 2025 refinancing needs), about $200 billion would be invested into bitcoin, securing approximately 2.2 million BTC (at an illustrative price of $90,000/BTC) for the national reserve. This allocation balances strategic bitcoin exposure with conventional treasury functionality.

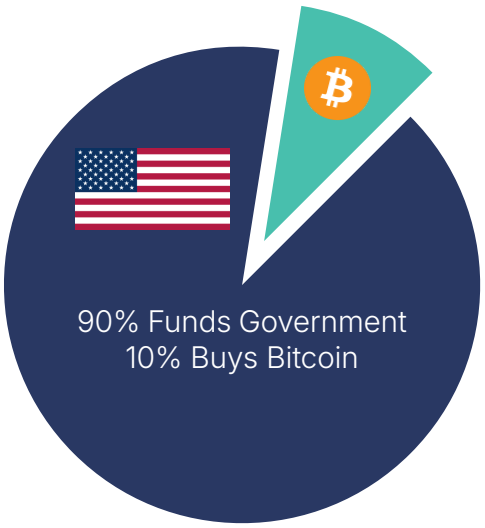
[3] The projections and historical performance data presented are for illustrative purposes only and should not be relied upon as a guarantee of future results. Bitcoin is a volatile asset, and actual outcomes may vary significantly.

**Investors in ₿ Bonds receive two sources of return:**

- First, a fixed coupon interest paid in USD, set below market rates for conventional Treasuries (e.g., 1% annually versus 4.5% for traditional 10-year Treasury bonds).
- Second, a variable bitcoin-linked payment at maturity based on the performance of the bitcoin purchased with bond proceeds.

**Figure 4:** How ₿ Bonds Work[4]

| U.S. Treasury ₿ Bonds | |
|---|---|
| **Total Issuance** | **$2 Trillion**<br>Approximately 20% of the 2025 refinancing needs to be met through ₿itBonds |
| **Per Bond** | **$100 Issued, $10 buys bitcoin**<br>Satisfies funding needs for government activities while adding bitcoin to the Strategic Bitcoin Reserve. |
| **Interest** | **1% Annually for 10 years**<br>Much lower current interest rate, principal repayment guaranteed by United States, independent of bitcoin price. |
| **Total Return** | **4.5% Senior, 50% BTC Upside**<br>Upon maturity, investors receive 100% of btc upside up to 4.5% total compounded return ($155.30 per bond), then 50% of all remaining bitcoin upside. |
| **Issuer (Gov't)** | **Retains 50% of Bitcoin Gains**<br>Any remaining bitcoin gains above the investor share are used to build the U.S. Strategic Bitcoin Reserve at no cost to the U.S. Government |




The stated nominal coupon rate is set at a low level to reflect the added value of the bitcoin upside. This generates significant interest savings for the government. These savings are realized immediately upon issuance and continue throughout the term of the bonds.

[4] This hypothetical treasury structure is for illustrative purposes only and does not represent an actual implementation or financial recommendation. Assumptions used may not reflect real-world conditions, and outcomes could vary significantly based on market, regulatory, and operational factors.

## Performance-Based Returns and Principal Protection

A critical feature of the ₿ Bond structure is that principal is fully protected by the full faith and credit of the United States government. Regardless of bitcoin's price performance, bondholders receive their full principal plus interest at maturity. This ensures that ₿ Bonds maintain the core safety characteristic expected from Treasury instruments while providing exposure to potential upside from bitcoin appreciation.

The bitcoin-linked payment follows a threshold structure designed to balance investor incentives with government benefits. Investors receive 100% of bitcoin appreciation up to a threshold, for instance a 4.5% compound annual return ($155.30 per $100 bond over 10 years). Upon achieving the threshold, investors receive 50% of additional bitcoin appreciation. The government retains the remaining 50% of gains beyond the threshold.

This structure ensures that investors receive returns comparable to conventional Treasury bonds if bitcoin performs at the lower end of its historical range, with potential for significantly higher returns in moderate to strong performance scenarios. Meanwhile, the government benefits from substantial interest savings regardless of bitcoin performance and retains a portion of potential upside if bitcoin appreciates significantly.

Consider a $100 ₿ Bond with $10 allocated to bitcoin: If bitcoin depreciates within the 10-year duration, the investor still receives their $100 principal plus modest interest (total $110 over 10 years). This structure is designed to ensure a positive risk-free return despite no bitcoin appreciation while the government leverages the low 1% coupon rate to save $70 billion annually compared to the 4.5% market rate on the $2 trillion issuance—easing the burden of refinancing $14 trillion in maturing debt over the next three years. If bitcoin doubles over the 10-year term, the investor receives approximately $10 in bitcoin gains in addition to principal and interest. If bitcoin increases five-fold, the investor receives substantially more, reaching the threshold amount plus a share of additional gains. If bitcoin increases ten-fold or more, the investor receives significant returns while the government retains an increasing portion of the gains.

This asymmetric payoff structure creates a scenario where both investors and the government can benefit simultaneously, particularly in favorable bitcoin performance scenarios. The structure's elegance is its alignment of incentives—investors are motivated by potential bitcoin gains, while the government benefits from lower borrowing costs and potential reserve appreciation, leading to more bitcoin adoption and accumulation.

## Strategic Bitcoin Reserve Growth

Bitcoin purchased with ₿ Bond proceeds would be held in the Strategic Bitcoin Reserve account established by President Trump's Executive Order. The reserve would be managed according to the principles outlined in the Executive Order, with bitcoin maintained as a store of value rather than actively traded.

The reserve would grow through ongoing ₿ Bond issuance and the retention of a share of bitcoin appreciation beyond the investor threshold. This growth occurs at no additional cost to taxpayers, since the bitcoin is purchased using bond proceeds and the government's share of appreciation accrues automatically based on the performance-sharing structure. In scenarios where bitcoin appreciation is modest or zero, the government still benefits from years of reduced interest expenses. If bitcoin performs well, the bitcoin added to the reserve through the ₿ Bond program can grow to constitute a significant national asset over time.

The Strategic Bitcoin Reserve can serve multiple national purposes beyond its fiscal benefits. It can function as a strategic hedge against currency debasement, provide optionality in international financial negotiations, and demonstrate America's commitment to maintaining its position at the frontier of financial innovation.

# FINANCIAL BENEFITS ANALYSIS

## Financial Benefits Analysis

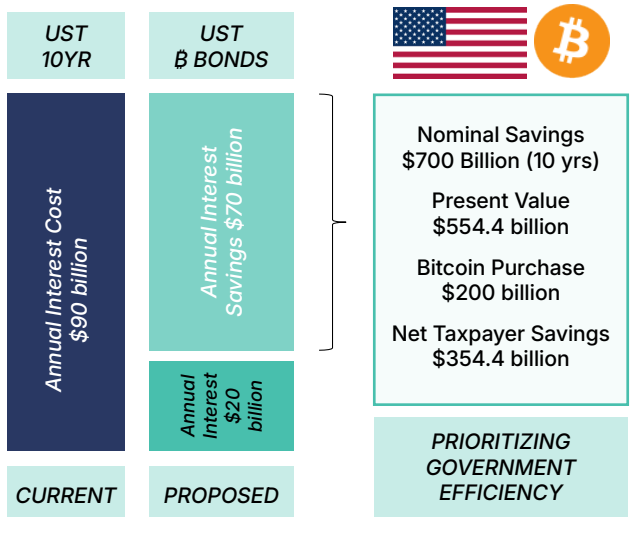
The ₿ Bond program generates immediate and substantial interest savings compared to conventional Treasury issuance. A detailed comparison illustrates the magnitude of these savings:

Traditional 10-year Treasury bonds at 4.5% interest would cost $90 billion annually on a $2 trillion issuance. In contrast, ₿ Bonds at 1% interest would cost only $20 billion annually on the same issuance amount. This creates annual interest savings of $70 billion, which accumulates to $700 billion in nominal savings over the 10-year term. The present value of these savings is approximately $554.4 billion.

After accounting for the initial $200 billion bitcoin purchase, the net taxpayer savings amount to $354.4 billion in present value terms, even if bitcoin prices remain static. These savings begin immediately upon issuance and continue throughout the term of the bonds, providing substantial fiscal relief to fund critical government programs or reduce additional borrowing needs.

**Figure 5:** Reducing the 10 Year US Treasury Interest Rate[5]

| INTEREST SAVINGS TO THE FEDERAL GOVERNMENT | |
|---|---|
| UST 10 Yr Rate | 4.5% (market rate) |
| ₿ Bond Rate | 1% (proposed) |
| Annual Savings | $90B - $20B = $70B |
| 10 Year Savings | $700 Billion |
| Present Value | $554.4 billion |



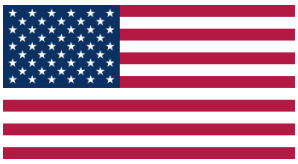

[5] This hypothetical treasury structure is for illustrative purposes only and does not represent an actual implementation or financial recommendation. Assumptions used may not reflect real-world conditions, and outcomes could vary significantly based on market, regulatory, and operational factors.

To put these savings in perspective, $70 billion in annual interest savings is comparable to the entire annual budget of the Department of Homeland Security or approximately twice the annual budget of the Department of Justice.[6] Over ten years, the $700 billion in nominal savings exceeds the entire infrastructure package passed by Congress in 2021.[7] This represents real, tangible fiscal relief that can benefit Americans without requiring tax increases or spending cuts.

## Strategic Bitcoin Reserve Growth Potential

The potential growth of the Strategic Bitcoin Reserve represents a significant long-term benefit of the ₿ Bond program. Based on historical bitcoin performance metrics, the government's share of appreciation could generate substantial value over time across different growth scenarios (see Figure 6).

**Figure 6:** America Gains over 10 Years under various Bitcoin Compound Annual Growth Rates (CAGRs)[8]



| U.S. ₿ Bonds | | |
|---|---|---|
| Dramatically Lower 10 YR Rates | Substantially Reduced Interest Expense | Revenue Neutral to Revenue Positive Growth of SBR |

| Bitcoin CAGR (Percentile) | Total BTC Value | Gov't Upside (50%) |
|---|---|---|
| 30% (10th) | $2.76T | $0.83T |
| 37% (25th) | $4.658T | $1.776T |
| 53% (50th) | $14.06T | $6.48T |
| 81% (75th) | $75.48T | $37.19T |
| 123% (90th) | $608.25T | $303.57T |

*Extending the horizon to 20 years, at a 36.62% CAGR, the US Treasury BTC Upside of the ₿ Bond can defease as much as $50.8T of Federal Debt in 2045!*

[6] U.S. Department of the Treasury, Monthly Treasury Statement: February 2025, March 2025, https://home.treasury.gov
[7] Congressional Budget Office, Cost Estimate for H.R. 3684, Infrastructure Investment and Jobs Act, November 5, 2021, https://www.cbo.gov/publication/57629.
[8] The results are derived by calculating the annualized compounded return for each daily closing bitcoin price, measured against the corresponding price exactly four years prior. This analysis encompasses all daily prices from 2016 to 2024, with the CAGR for each date determined using the four-year price differential. The resulting percentiles are established based on a standard distribution of these compounded annual returns. Please note that historical performance is not necessarily indicative of future results.

At a 30% compound annual growth rate (CAGR 10th percentile of historical performance), the government's share would reach approximately $0.83 trillion after 10 years. This scenario corresponds to approximately $1.26 million per BTC by 2035. With 2.22 million BTC in the reserve, the value of the overall reserve would reach $2.76 trillion, and the government would retain $0.83 trillion after investor payouts. Even at the 10th percentile of historical bitcoin performance, the government's share of bitcoin upside generated through the ₿ Bonds program would be larger than the current gold reserves of the United States (valued at approximately $0.8 trillion).

At a 37% CAGR (25th percentile), the government's share would grow to approximately $1.776 trillion, with bitcoin reaching approximately $1.9 million per BTC. The total value of bitcoin in the ₿ Bond program would stand at $4.658 trillion, exceeding the combined gold reserves of all major central banks globally.

At a 53% CAGR (historical median performance), the government's share would reach approximately $6.48 trillion, with bitcoin valued at approximately $6.3 million per BTC. The total ₿ Bond program value of $14.06 trillion would represent approximately 28% of the current U.S. Treasury market size ($50 trillion), or roughly 33% of the U.S. equity market capitalization ($42 trillion).

At an 81% CAGR (75th percentile), the government's share would grow to approximately $37.19 trillion, with bitcoin valued at approximately $34 million per BTC. Total ₿ Bond program value of $75.48 trillion would exceed the current U.S. Treasury market or the combined value of all U.S. residential real estate ($44 trillion).

At a 123% CAGR (90th percentile), the government's share could reach $303.57 trillion, with bitcoin valued at approximately $274 million per BTC. While this extreme scenario is included for completeness, it would represent bitcoin becoming a primary global store of value.

It is important to note that as bitcoin's nominal value grows, it is also likely that other assets will inflate in nominal value, albeit not as rapidly as bitcoin.

These scenarios are based on historical bitcoin performance data, which has demonstrated exceptional growth over its relatively short existence. While past performance is not indicative of future results, we believe that the use of percentile-based scenarios provides a useful historical framework to evaluate potential outcomes. Even when considering growth rates that are well below historical averages, the potential impact of the ₿ Bond program to reduce the federal debt burden remains substantial.

Analysis indicates that at a compound annual growth rate of approximately 36.62% (slightly below the 25th percentile of historical performance), the government's share would be sufficient to offset as much as $50.8 trillion of federal debt by 2045. Depending on the growth rate of the funded federal debt, the ₿ Bond program offers a pathway to substantially reduce or even fully offset the potential federal debt balance through asset appreciation.[9]

Even at future bitcoin growth rates well below historical averages, the Strategic Bitcoin Reserve still accumulates a sufficient value to meaningfully impact the federal debt burden. The asymmetric nature of the ₿ Bonds proposal—present value interest savings in excess of the initial bitcoin purchase price coupled with substantial upside—makes this an attractive strategy from a risk-reward perspective for the federal government.

₿ Bonds are an attractive alternative to increased taxation and austerity measures.

## Tax Advantages for Investors

A powerful component of the ₿ Bond program is the proposed special tax treatment for US taxpayers, particularly American families. The program recommends that both the interest payments and the bitcoin-linked gains at maturity receive tax-advantaged status. Specifically, we propose that interest payments from ₿ Bonds be exempt from federal income tax, similar to the treatment of certain municipal bonds. Additionally, bitcoin-linked gains at maturity should be exempt from capital gains taxes when held to maturity.

This tax treatment would create a powerful savings vehicle for American households, encouraging long-term investment and wealth building. **The combination of principal protection, potential bitcoin upside, and tax advantages would make ₿ Bonds particularly attractive to middle-class families looking to build wealth while managing risk.**

These tax advantages would be statutorily established as part of the ₿ Bond authorizing legislation. The Treasury Department, in coordination with the Internal Revenue Service, would issue specific guidance on the implementation of these tax provisions. The tax benefits would apply equally to all investors in ₿ Bonds, ensuring broad participation across the economic spectrum.

[9] Congressional Budget Office. The Long-Term Budget Outlook: 2024 to 2054. March 19, 2024, https://www.cbo.gov/publication/59711

**Figure 7:** American households gain over 10 years[10]

| U.S. ₿ Bonds | | |
|---|---|---|
| ✓ Tax-free Income<br>✓ Tax-free Gains | ~132 million American Households | $3,025 Invested per Household |

| Bitcoin CAGR (since 2016 Halving) | Interest + BTC upside per $100 bond | Total Return | Investor CAGR |
|---|---|---|---|
| 30% (10th) | $96.58 | $196.58 | 6.99% |
| 37% (25th) | $144.11 | $244.11 | 9.33% |
| 53% (50th) | $379.12 | $479.12 | 16.96% |
| 81% (75th) | $1,914.58 | $2014.58 | 35.03% |
| 123% (90th) | $15,233.78 | $15,333.78 | 65.41% |

The proposed tax treatment aligns with precedents established for other special purpose government bonds, such as certain savings bonds, municipal bonds, and specific Treasury instruments designed to promote savings or investment in national priorities. The proposal recognizes that building the Strategic Bitcoin Reserve is a national priority that warrants tax incentives to encourage rapid near-term bitcoin accumulation and broad public participation.

[10] The results are derived by calculating the annualized compounded return for each daily closing bitcoin price, measured against the corresponding price exactly four years prior. This analysis encompasses all daily prices from 2016 to 2024, with the CAGR for each date determined using the four-year price differential. The resulting percentiles are established based on a standard distribution of these compounded annual returns. Please note that historical performance is not necessarily indicative of future results.

## Investor Benefits and Market Demand

The ₿ Bond structure creates an attractive investment opportunity that combines the security of U.S. government bonds with potential upside from bitcoin exposure. This unique value proposition is likely to generate strong demand from diverse investor segments.

Institutional investors would gain exposure to bitcoin within a familiar, government-backed instrument. For many institutional investors, direct bitcoin holdings present regulatory, custody, and governance challenges. ₿ Bonds would provide a compliant pathway to bitcoin exposure while maintaining the safety and liquidity characteristics of Treasury securities. This could attract significant institutional capital that has remained on the sidelines of the bitcoin market due to operational or regulatory constraints. In addition, ₿ Bonds can serve as eligible collateral under large-scale financial contracts, positioning the new offering for strong demand from institutional investors.

Foreign investors would receive potential diversification benefits coupled with the same security offered by a traditional US Treasury bond. As many central banks and sovereign wealth funds seek to diversify their holdings beyond traditional reserve currencies, ₿ Bonds can offer a unique instrument that combines dollar exposure with potential bitcoin appreciation. **This could strengthen demand for U.S. government debt from international investors seeking to optimize their portfolio allocations in a changing global monetary landscape.**

Retail investors would access bitcoin upside with principal protection and significant tax advantages. For many American families, direct bitcoin investment remains technically challenging and potentially risky. ₿ Bonds can democratize access to bitcoin's growth potential within a safe, familiar investment vehicle. **The tax-advantaged status would make ₿ Bonds particularly attractive for retirement accounts, education savings, and general household wealth building.**

By positioning ₿ Bonds as tax-advantaged savings vehicles for American families, the program ensures broad public participation in potential bitcoin appreciation. The estimated 132 million American households[11] could invest an average of $3,025 each, providing a secure pathway to bitcoin exposure without requiring specialized knowledge or direct bitcoin market participation.

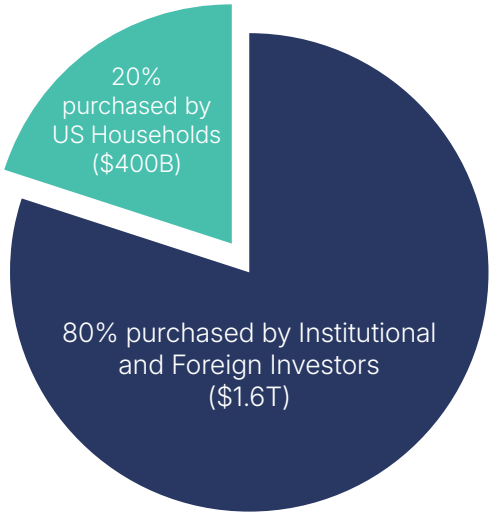
The appeal of tax-free income and potential tax-free capital gains would make ₿ Bonds particularly attractive to middle-class households seeking to build long-term wealth. This structure democratizes access to bitcoin's growth potential within a framework that minimizes risk and complexity for everyday Americans.

[11] U.S. Census Bureau. (n.d.). Households by type: 1940 to present (Table HH-1) [Data file]. U.S. Department of Commerce. https://www2.census.gov/programs-surveys/demo/tables/families/time-series/households/hh1.xls

## Market Depth and Distribution

The Treasury market offers sufficient depth to absorb the proposed ₿ Bond issuance without significant disruption to broader fixed income markets. Current market statistics indicate strong potential demand across investor segments.

**Figure 8:** International and Domestic Market Depth[12]




**U.S. ₿ Bonds**
**NEW SAVINGS FOR AMERICAN FAMILIES**

- ✓ **Tax-free Income**
- ✓ **Tax-free Gains**

| | |
|---|---|
| **Treasury Market** | > $30 Trillion Outstanding<br>$5T - $7T Annual Issuance |
| **Investor Appeal** | ₿ Bonds can serve as Eligible Collateral<br>Tax Advantages Drive Domestic Demand |

The U.S. Treasury market currently has over $30 trillion of securities outstanding, with annual issuance typically ranging from $5-7 trillion. Because of the unique appeal of the ₿ Bond structure, we foresee a broad base of investor interest in the offering, with 80% of ₿ Bonds purchased by institutional and foreign investors[13], while the remaining 20% ($400 billion) can be purchased by U.S. households.[14]

₿ Bonds could potentially serve as eligible collateral in financial markets, similar to conventional Treasury securities. This collateral eligibility would support market liquidity and integration with existing financial infrastructure. Meanwhile, the tax advantages associated with ₿ Bonds for US taxpayers would drive particularly strong demand from domestic investors, including both households and tax-sensitive institutional investors.

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[12] This is for illustrative purposes only and does not represent an actual implementation or financial recommendation. Assumptions used may not reflect real-world conditions, and outcomes could vary significantly based on market, regulatory, and operational factors.
[13] U.S. Department of the Treasury. (n.d.). *Major foreign holders of U.S. Treasury securities*. U.S. Department of the Treasury. https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html
[14] Federal Reserve Bank of St. Louis. 2025. *Households and nonprofit organizations; Treasury securities; asset, level [HNOTSAQ027S].* FRED, Federal Reserve Bank of St. Louis https://fred.stlouisfed.org/series/HNOTSAQ027S

The introduction of ₿ Bonds could also expand the overall investor base for U.S. government debt by attracting bitcoin investors and technology-focused funds that might not otherwise participate in Treasury markets. This broadened investor base strengthens the resilience of government funding and potentially reduces dependence on traditional sources of Treasury demand.

**Figure 9:** ₿ Bonds leverage the US's role as the Bitcoin Superpower[15]

| ₿ Bonds are a win-win-win | |
|---|---|
| **Savings** | **$700B (PV $554B) in 10 yrs**<br>₿ Bonds can produce a significant reduction on interest expense while funding up to 20% of the 2025 federal refinancing needs |
| **Upside** | **$830B - $304T (10 yrs, 10th – 90th percentile)**<br>₿ Bonds can add >1,000,000 BTC to the Strategic Bitcoin Reserve at no incremental cost to United States taxpayers |
| **Debt Offset** | **BTC defeases federal debt at ~36% CAGR**<br>At 25th percentile CAGRs, the United States share of ₿ Bonds bitcoin gains can offset $51 Trillion of expected federal debt in 2045 |
| **Family Wealth** | **Tax Advantaged Savings Builder**<br>Americans can purchase ₿ Bonds on a tax-free basis, generating attractive investment gains while investing in America's future |
| **Win-Win-Win** | **Huge Potential Benefits to Energize US**<br>₿ Bonds are win-win-win: lower interest rates on the 10-year, revenue neutral to revenue positive growth of the U.S. Strategic Bitcoin Reserve, and exceptional tax-advantaged returns for US investors |


[15] Projections and historical performance are presented for illustrative purposes only and should not be relied upon as a guarantee of future results. Bitcoin is a volatile asset, and actual outcomes may vary significantly.

# RISKS AND IMPLEMENTATION CONSIDERATIONS

While the ₿ Bond program offers significant potential benefits, its successful implementation requires careful consideration of various risks and challenges. This section outlines key risk factors and potential mitigation strategies to ensure responsible program development and execution.

## Market and Price Risks

Bitcoin has historically exhibited significant price volatility, with periods of strong appreciation followed by substantial drawdowns. While this volatility creates upside potential, it also introduces risk that the bitcoin purchased with bond proceeds could decline in value. To address this risk, the program implements several risk mitigation strategies.

The program limits bitcoin allocation to 10% of bond proceeds, containing the impact of potential volatility. This conservative allocation ensures that even in worst-case scenarios where bitcoin value declines substantially, the impact on overall program performance would be limited. Meanwhile, principal protection ensures that bondholders receive their full investment regardless of bitcoin performance, maintaining investor confidence and program stability.

The substantial interest savings also offset potential bitcoin losses. **The annual interest savings of $70 billion on a $2 trillion issuance significantly exceed the potential worst-case loss from the 10% bitcoin allocation, creating a favorable risk-reward profile even under adverse price scenarios.** Phased implementation allows for program adjustment based on market conditions, with scaling decisions informed by actual market performance and evolving conditions.

Finally, the long-term holding horizon aligns with bitcoin's tendency toward appreciation over extended periods. Historical data indicates that while bitcoin has experienced significant short-term volatility, longer holding periods (greater than 4 years) have consistently delivered positive returns. The 10-year maturity of ₿ Bonds is designed to capture this long-term appreciation trend while smoothing short-term volatility.

Market execution risk presents another challenge, as acquiring large quantities of bitcoin ($200 billion under the proposed program) could potentially impact market prices. **To address this risk, the program would implement dollar-cost averaging purchases over extended timeframes, utilize multiple acquisition channels including exchanges and OTC markets, employ specialized execution algorithms and professional trading expertise, establish relationships with institutional liquidity providers, and maintain confidentiality regarding specific transaction details.**

## Operational and Security Risks

Securing bitcoin holdings at a national scale presents novel challenges. As a bearer asset, bitcoin can be lost if private keys are compromised or destroyed. The program addresses these custody and security challenges through a comprehensive security framework.

**The framework includes implementing multi-institutional, multi-signature custody solutions that distribute control across trusted entities, preventing single points of failure.** Geographic distribution of storage facilities would enhance physical security and operational resilience. Cold storage would be employed for the vast majority of holdings, with minimal hot wallet exposure for operational needs. Regular security audits would be conducted by both internal and external experts to identify and address potential vulnerabilities.

A specialized security team should be established, focused solely on protecting the Strategic Bitcoin Reserve. This team would develop comprehensive incident response and disaster recovery protocols to address potential security breaches or operational disruptions. **The United States government has unique capabilities and resources to implement world-class security measures for bitcoin custody, potentially establishing new global standards for institutional bitcoin security.**

Integrating bitcoin into Treasury operations introduces technical and operational complexity beyond traditional bond issuance. **To address these challenges, the program would start with a small pilot program to refine operational procedures before scaling.** It would engage specialized expertise from both government and private sectors, develop dedicated systems and processes, provide comprehensive training for Treasury personnel, and establish clear operational guidelines and standard operating procedures.

## Regulatory and Legal Considerations

President Trump's Executive Order establishes the Strategic Bitcoin Reserve and directs the Executive Branch to identify and begin to implement revenue neutral bitcoin acquisition strategies, such as the ₿ Bond program. Translating the President's bold vision into a comprehensive series of permanent implementations will require Congressional action. To support Congressional review, the program would begin with a pilot program under existing Treasury authority, then seek explicit legislative authorization through a "₿ Bond Act" for full-scale implementation.

Early engagement with relevant Congressional committees would build support and address potential concerns. The development of clear legal frameworks would address all aspects of the program, including issuance, custody, tax treatment, and oversight. Working with the President's Working Group on Digital Asset Markets would ensure coordination across regulatory agencies.

The hybrid nature of ₿ Bonds raises questions about their regulatory classification and treatment under existing securities, commodity, and tax laws. To address these regulatory classification challenges, the program would establish early coordination with relevant regulatory agencies (SEC, CFTC, IRS), obtain formal guidance on the classification and treatment of ₿ Bonds, develop clear disclosure requirements for investors, and provide certainty on the tax treatment of bitcoin-linked payments.

## International and Public Perception Considerations

The United States' adoption of bitcoin as a strategic reserve asset could have significant implications for the international financial system. To address these global financial impacts, the program would engage proactively with international financial institutions and foreign governments, communicate clearly that ₿ Bonds complement rather than replace traditional Treasury instruments, position the program as an innovation in debt management, and invite international participation and coordination with allied nations.

The technical complexity of ₿ Bonds may create challenges in public communication and understanding. To address these public perception challenges, **the program would develop clear and accessible educational materials, emphasize tangible benefits for American families and the national economy, conduct robust stakeholder engagement, establish transparent reporting on program results, and create dedicated communication channels for addressing questions and concerns.**

By acknowledging these risks and implementing comprehensive mitigation strategies, the ₿ Bond program can be executed responsibly and effectively, maximizing benefits while containing potential challenges. The phased implementation approach described in the next section is specifically designed to allow for testing, learning, and adaptation before full-scale deployment.

# IMPLEMENTATION ROADMAP

PHASE 01

## Pilot Program (3-6 months)

Building directly on the President's Executive Order of March 6th, 2025, the Treasury Department can implement a pilot ₿ Bond program as a budget-neutral strategy to acquire additional bitcoin. The existing President's Working Group on Digital Asset Markets can be tasked with coordinating implementation, with a specialized ₿ Bond subcommittee established for day-to-day oversight.

**During this phase, the Treasury would design pilot bonds with initial issuance of $5-10 billion**. This limited issuance would allow for testing key operational aspects while minimizing potential market disruption. The Treasury would establish secure custody infrastructure for the Strategic Bitcoin Reserve, incorporating multi-signature, cold storage solutions with appropriate security controls and oversight. Operational procedures for bitcoin acquisition and management would be developed, including protocols for execution, settlement, and custody. The pilot would test market reception and investor demand, providing valuable data on pricing, distribution, and investor demographics. Throughout the pilot, the Treasury would monitor operational performance and identify any implementation challenges that require adjustment before scaling.

The pilot program allows for testing key concepts and refining operational procedures before scaling to full implementation. The results provide valuable data for program optimization and stakeholder education.

PHASE 02

## Policy Development and Expansion (6-12 months)

Following successful completion of the pilot program, the focus shifts to formalizing the policy framework and expanding issuance. The Treasury would analyze pilot results and refine program structure based on market feedback, ensuring that the full-scale implementation incorporates lessons learned from the initial issuance.

During this phase, Treasury would engage with Congress to develop legislation providing explicit authorization for the ₿ Bond program. This legislation would address key aspects including issuance authority, tax treatment, governance structure, and reporting requirements. Coordination with regulatory agencies would establish clear guidelines for bitcoin custody, ₿ Bond classification, and investor disclosures.

**With a stronger policy foundation in place, the Treasury could scale issuance to $100-200 billion** to continue building momentum while maintaining a measured approach to market impact. Direct-to-consumer distribution channels would be developed to enhance accessibility, potentially including integration with TreasuryDirect to allow individual investors to purchase ₿ Bonds directly. Comprehensive reporting and transparency protocols would be implemented to provide stakeholders with visibility into program performance and Strategic Bitcoin Reserve growth.

During this phase, Treasury and the Administration would conduct robust stakeholder engagement, including congressional briefings, public education efforts, and international coordination. The objective is to build broad support for the program while addressing any concerns or misconceptions that arise during the pilot phase.

PHASE 03

## Full Implementation (12-24 months)

With a comprehensive policy framework in place, the ₿ Bond program can be fully integrated into Treasury operations. In this phase, the Treasury would incorporate ₿ Bonds into the regular auction calendar, establishing them as a standard component of government debt issuance. **Issuance would scale to reach the target of up to 20% of refinancing needs**, consistent with the overall program design.

Enhanced secondary market support mechanisms would be established to ensure liquidity and price discovery for ₿ Bonds in the secondary market. This could include primary dealer requirements, market-making commitments, and Federal Reserve eligibility for monetary operations. Retail investor access would be fully implemented through TreasuryDirect and other channels, democratizing access to ₿ Bonds across the nation.

Regular reporting on Strategic Bitcoin Reserve growth and program results would provide transparency and accountability. Periodic assessments and adjustments based on performance metrics would ensure the program continues to meet its objectives efficiently. Through this phased approach, the program can be implemented deliberately with appropriate risk management and stakeholder engagement at each stage. The flexibility to adjust based on real-world experience ensures optimal outcomes.

Key to successful implementation will be maintaining close coordination between the Treasury Department, Federal Reserve, regulatory agencies, and the White House. The appointment of a dedicated program executive with direct reporting lines to senior leadership would ensure accountability and effective execution across all phases.

# STRATEGIC BENEFITS BEYOND FISCAL IMPACT

## Economic Competitiveness and Innovation Leadership

The ₿ Bond program positions the United States as a leader in integrating traditional finance with bitcoin, supporting broader economic competitiveness objectives. The program demonstrates technological leadership and financial innovation, attracting talent, investment, and entrepreneurial activity in the bitcoin sector. The development of institutional-grade custody solutions and operational procedures accelerates broader bitcoin infrastructure in the private sector. The clear regulatory framework established for the program provides certainty that supports responsible innovation across the bitcoin ecosystem.

These factors enhance America's competitive position in financial technology to support job creation and economic growth in emerging sectors. **By establishing standards and best practices for sovereign bitcoin integration, the United States can influence global development of bitcoin markets in ways that align with American values and interests.**

The ₿ Bond program has the potential to catalyze significant private sector investment in bitcoin infrastructure, custody solutions, and financial products. This ecosystem development would strengthen America's position as the global center for bitcoin innovation, creating high-value jobs and supporting economic growth in a strategic technology sector.

## Financial Inclusion and Household Savings

By providing all Americans with access to potential bitcoin appreciation through a secure, regulated instrument, ₿ Bonds advance financial inclusion objectives. Americans across socioeconomic groups gain exposure to bitcoin's growth potential without requiring specialized knowledge or high risk tolerance. The tax-advantaged structure supports long-term wealth building, particularly for middle-class households. **Direct-to-consumer distribution removes barriers that often exclude lower-income individuals from financial markets.**

These features make ₿ Bonds particularly valuable as a tool for building individual financial security while advancing broader economic participation. **The accessibility of ₿ Bonds through existing Treasury channels would democratize access to an asset class that has historically benefited early adopters and sophisticated investors.**

The program would provide American households with a novel savings vehicle that combines principal protection with substantial growth potential—a combination rarely available in traditional investment options. This could meaningfully impact household wealth accumulation over the long term, particularly if the tax advantages encourage sustained investment.

## Strategic Positioning and Global Leadership

**The ₿ Bond program strengthens America's strategic position in the global financial system. The Strategic Bitcoin Reserve provides a hedge against inflation, currency debasement, and potential bulwark against the erosion of the dollar's reserve currency status.** By taking a leadership role in sovereign bitcoin integration, the United States establishes norms and standards rather than reacting to frameworks established by other nations. **The increased domestic demand for Treasury instruments reduces reliance on foreign creditors, enhancing financial sovereignty.** The program reinforces United States advantage in potential future scenarios where bitcoin plays a larger role in the global financial system.

Through this forward-looking approach, the ₿ Bond program enhances America's financial resilience and further extends the US influence in an evolving global landscape. As other nations work to catch up with their own bitcoin reserves, the United States would benefit from a significant first-mover advantage through early, large-scale implementation.

The program would also enhance national security by reducing vulnerability to potential financial sanctions or economic pressure from foreign powers. A substantial Strategic Bitcoin Reserve provides optionality and resilience in international financial relations, complementing traditional financial and diplomatic tools.

## Intergenerational Equity and Long-Term Fiscal Health

The ₿ Bond program addresses intergenerational equity by establishing a mechanism for long-term debt reduction that does not rely on austerity measures or tax increases. The immediate interest savings reduce current fiscal pressure without imposing hardship on taxpayers or beneficiaries of government services. The potential for Strategic Bitcoin Reserve growth creates a pathway for debt reduction over time through asset appreciation. This approach aligns the timeframe of the solution with the timeframe of the problem, creating a more equitable distribution of fiscal responsibility across generations.

By establishing this strategic approach to debt management, the program supports sustainable fiscal health for both current and future Americans. Rather than placing the entire burden of debt reduction on future generations through eventual tax increases or spending cuts, the ₿ Bond program creates a mechanism for debt reduction through asset appreciation—a more balanced and potentially less disruptive approach.

The possibility of significant debt defeasance through bitcoin appreciation represents a unique opportunity to address one of the nation's most persistent fiscal challenges without the economic disruption associated with traditional austerity measures or monetary solutions. At a time when intergenerational tensions over fiscal policy are increasing, the ₿ Bond program offers a pathway that can benefit multiple generations simultaneously.

# CONCLUSION: FULFILLING THE VISION OF AMERICAN BITCOIN LEADERSHIP

The Bitcoin-Enhanced Treasury Bond (₿ Bond) program represents a transformative approach to addressing the federal government's refinancing challenges while advancing the strategic objectives established in President Trump's historic Executive Order of March 6th, 2025. By combining traditional Treasury stability with bitcoin's growth potential, ₿ Bonds provide a concrete mechanism to benefit from the President's leadership while leveraging America's role as the global Bitcoin Superpower.

The ₿ Bond program directly implements the Executive Order's directive to develop budget-neutral strategies for expanding the Strategic Bitcoin Reserve. It creates a structured mechanism to acquire bitcoin without imposing costs on taxpayers, simultaneously addressing the significant debt refinancing challenge facing the Treasury. The program would generate potential interest savings of $70 billion annually and $700 billion over the 10-year term of the bonds, providing immediate fiscal relief while establishing the foundation for potential long-term transformation through Strategic Bitcoin Reserve growth.

The Executive Order has already taken the crucial first step of establishing the Strategic Bitcoin Reserve and recognizing bitcoin as a strategic asset with qualities comparable to "digital gold." The ₿ Bond program builds upon this foundation, providing a scalable mechanism to expand the reserve. By centralizing and strategically managing bitcoin assets, the program would prevent the premature sales that have already cost U.S. taxpayers over $17 billion.

Beyond the direct fiscal benefits, the ₿ Bond program builds on the United States leadership role in the emerging bitcoin ecosystem, supporting economic competitiveness, financial inclusion, and strategic early-mover advantage. These broader benefits enhance the overall value proposition of the program, creating positive impacts across multiple dimensions of national interest.

The ₿ Bond initiative aligns perfectly with President Trump's consistent advocacy for a forward-thinking approach to bitcoin. The President has emphasized the need to embrace bitcoin to drive economic growth and technological leadership. The ₿ Bond program represents a concrete implementation of this vision, reinforcing the position of the United States as the global leader in the integration of traditional finance and bitcoin.

Leveraging the America's position as the global Bitcoin Superpower, ₿ Bonds are a win-win-win: lower interest rates, revenue-neutral to positive growth of the Strategic Bitcoin Reserve, and exceptional tax-advantaged returns for American families. This alignment of benefits across government, investors, and citizens creates a compelling case for implementation that transcends traditional political divisions and serves the long-term national interest.

The path forward has been clearly established by President Trump's Executive Order, requiring thoughtful execution with engagement from multiple stakeholders including Congress, executive branch agencies, financial markets, and the American public. Through collaborative development and implementation of the ₿ Bond program, America can address current fiscal challenges while establishing a pathway to long-term debt sustainability and economic prosperity for future generations.

# RECOMMENDATIONS TO POLICYMAKERS

The successful implementation of bitcoin-enhanced Treasury securities requires a methodical, research-driven approach that balances innovation with fiscal prudence. Policymakers should consider the following key actions:

1. **Commission Multifaceted Treasury Analysis:** Direct the Treasury Department to conduct a comprehensive study examining ₿ Bond structures with varying bitcoin allocations (5-25%), maturity periods, and performance scenarios, with particular attention to Strategic Bitcoin Reserve (SBR) synergies and optimal custody arrangements.
2. **Establish Rigorous Pricing Framework:** Develop sophisticated pricing models that account for bitcoin's unique characteristics, including volatility premiums, appreciation potential, and correlation effects with traditional Treasury instruments, ensuring competitive yet prudent yields for investors.
3. **Draft Targeted Enabling Legislation:** Prepare specific legislative language authorizing ₿ Bond issuance, addressing Treasury authority limitations, defining profit-sharing mechanisms between government and bondholders, establishing Congressional oversight requirements, and clarifying the tax treatment of ₿ Bond returns.
4. **Design SBR-₿ Bonds Integration Strategy:** Formulate clear guidelines for how ₿ Bonds would interact with the Strategic Bitcoin Reserve, including shared custody infrastructure, coordinated purchasing strategies to minimize market impact, and unified security protocols.
5. **Develop Comprehensive Performance Metrics:** Establish objective evaluation criteria comparing ₿ Bond performance to traditional Treasury securities, including effective interest rate savings, SBR appreciation benefits, investor demand indicators, and international capital attraction metrics.

These foundational steps will provide the empirical basis and regulatory framework necessary for responsible ₿ Bonds implementation. By proceeding deliberately and transparently, policymakers can properly evaluate whether this innovative approach offers a viable complement to traditional debt management strategies.

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