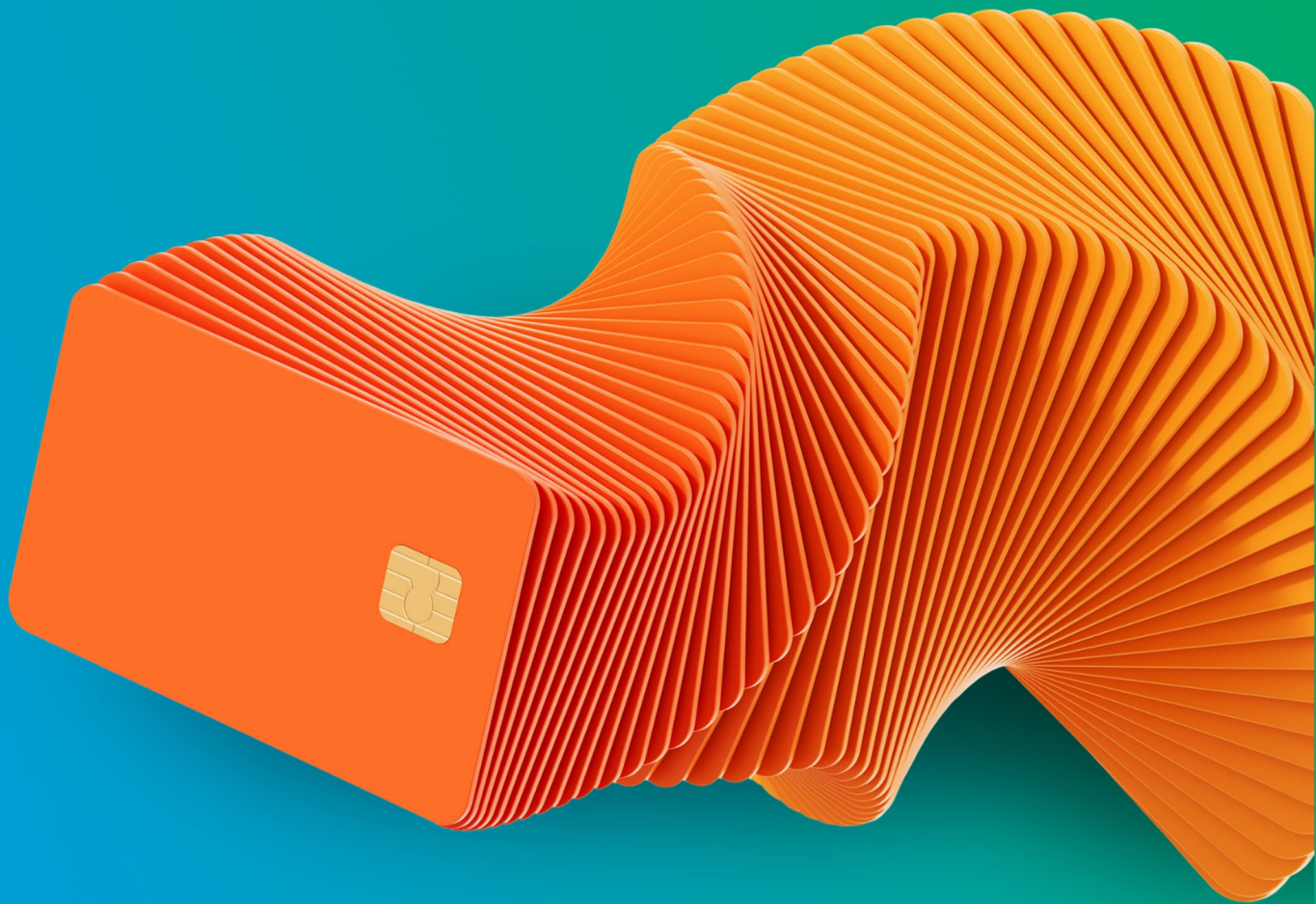


# Announcement of a US Strategic Bitcoin Reserve

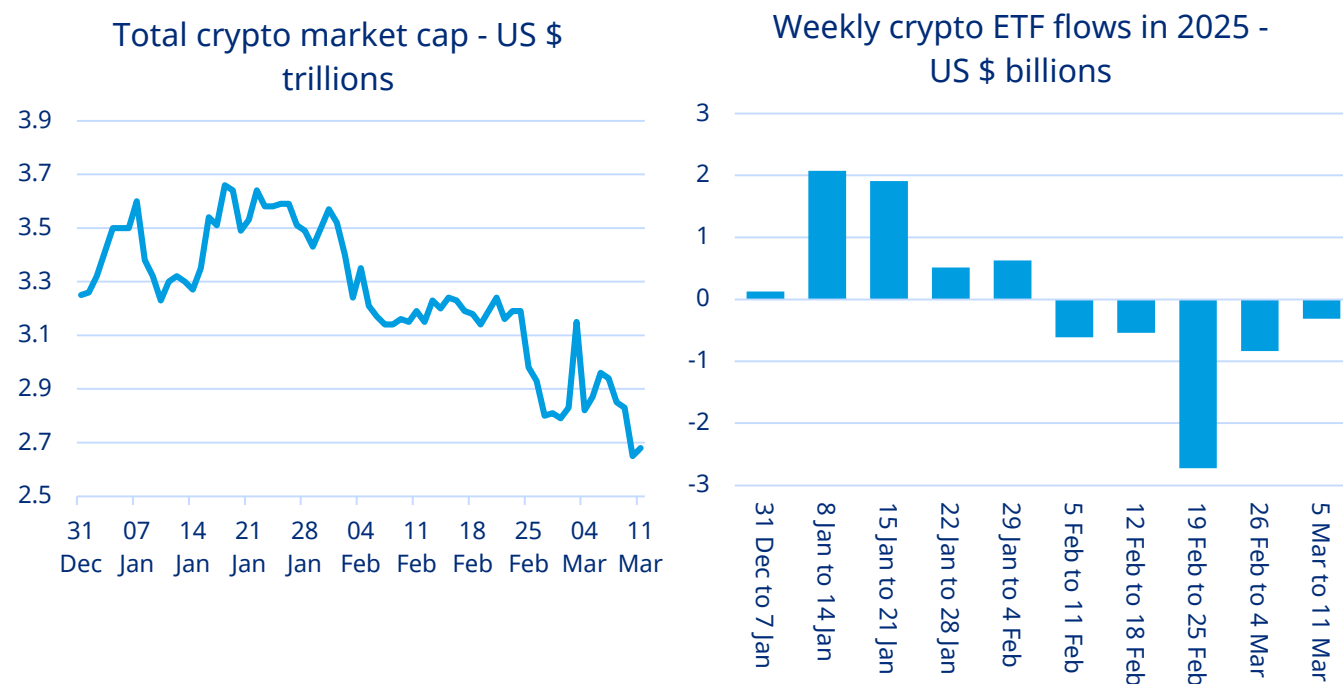
Mercer comments



## Introduction

On 2 March 2025, US President Donald Trump announced plans to proceed with the creation of a US strategic reserve of cryptocurrencies, boosting the prices of crypto assets. The cryptocurrencies included in the first of his two posts on Truth Social were XRP, SOL and ADA (the native tokens for the Ripple, Solana and Cardano blockchains). In a second post, he added that BTC and ETH (the native tokens of Bitcoin and Ethereum) would be at the heart of the reserve. An Executive Order (EO) followed on 6 March providing more detail on the plans: the EO establishes a Strategic Bitcoin Reserve as well as a US Digital Asset Stockpile; it also tasks the Secretary of the Treasury and the Secretary of Commerce with finding “budget neutral” strategies for acquiring BTC. This has been seen as refocussing attention on Bitcoin as the EO specifies that “The government will not acquire additional assets for the US Digital Asset Stockpile beyond those obtained through forfeiture proceedings”. Despite this, Bitcoin dominance (Bitcoin as a proportion of total crypto market capitalization) remained relatively flat, starting March at 59.8% and rising to 60.2% by 10 March 2025 (source: Coinmarketcap).

## Crypto market turbulence year-to-date



Source: Coinmarketcap, 31 December 2024 to 11 March 2025

Up until the announcement of a strategic reserve, the market capitalization of cryptocurrencies had fallen year-to-date, from \$3.25 trillion (31 December 2024) to \$2.81 trillion (28 February 2025, source: Coinmarketcap). The main cause was a system hack. On 26 February, the FBI announced that on or around 21 February, North Korean hackers (commonly referred to as Lazarus Group) stole \$1.5 billion in cryptocurrency from ByBit. ByBit is based in Dubai and is the world's second-largest crypto exchange by trading volume (as reported by Coinmarketcap). The ByBit hack is the largest crypto hack in history by dollar value (source, Chainalysis, “Record-breaking Bybit Theft, Feb 24, 2025)) and might be the biggest dollar-value heist of any currency in history. A UN report

to the Security Council from March 2024 links North Korean crypto theft to the country's ballistic missile development program (S/2024/215, Overview of Sanctions Committee Documents).

The initial announcement of the strategic reserve on social media led to a sharp recovery in crypto asset prices, with total crypto market cap rising from \$2.81 trillion pre-announcement (28 February 2025) to \$3.15 trillion post-announcement (3 March 2025, source: Coinmarketcap).

The additional detail that no revenue will be used to purchase Bitcoin, and that no other digital assets will be purchased, has coincided with a further fall in market cap to \$2.62 trillion (10 March 2025, source: Coinmarketcap), meaning that despite a brief respite for crypto prices, returns overall are negative year-to-date, though still ahead since the election of the current administration.

## **Strategic reserve implications**

While many had expected the establishment of such a strategic reserve, given President Trump's previous statements, the initial social media post was surprising. While Bitcoin has been treated by regulators as a digital commodity and has long been intellectually linked to reserve projects (starting with Saifedean Ammous famously publishing "The Bitcoin Standard" in 2018), the inclusion of security-like tokens was unexpected (the US Securities and Exchange Commission has previously referred to all the initially mentioned tokens as securities). A major perceived benefit of Bitcoin is that it is truly decentralized, unlinked to any organization. The refocussing on BTC in the EO was more in line with industry expectations.

The Department of Justice has confiscated a significant amount of digital currency in the last 15 years, most notably related to the online black-market Silk Road (where all transactions were made in BTC). Cumulative enforcement and forfeiture actions have made the US government one of the largest holders of BTC, and it has, at times, auctioned off seized cryptocurrency. The announcement of the Strategic Bitcoin Reserve is in part the formalization of a policy to end auctions and maintain seized assets. In his speech at the Nashville Bitcoin Conference in July, President Trump said, "For too long our government has violated the cardinal rule that every Bitcoiner knows by heart: never sell your Bitcoin".

The EO tasks cabinet members with finding "budget neutral" ways to acquire Bitcoin. There is significant scope to achieve this but considerable uncertainty about whether and how it will be implemented. The US government, for example, holds substantial amounts of gold in Fort Knox and other locations, 8,133 tonnes (source: World Gold Council, May 2024), valued on the US balance sheet at c. \$42 an ounce (more than 50 times lower than 2025 prices) for historical reasons. Revaluing these assets and using them to buy Bitcoin was proposed in 2024 by Republican Senator Cynthia Lummis. Arguably, the dollar would lose some of its intangible value by liquidating any of the Fort Knox gold, although digital-asset enthusiasts may see the replacement of gold with "digital gold" as a progressive step. Sales of US gold would buck the trend of other central banks, which have been purchasing gold with regularity (each of the last 15 years has seen net purchases globally). There has been little effect on the gold market since the crypto-related announcements.

Other ideas that have been suggested by observers include using the Treasury Exchange Stabilization Fund, and Special Drawing Rights.

## Concluding remarks

President Trump clearly signalled his support for the crypto industry in the lead-up to the 2024 US election, and the announcement of both the Strategic Bitcoin Reserve and the United States Digital Asset Stockpile is further evidence of his administration's belief in the viability of crypto and desire to make the US the world leader in cryptocurrencies. To many, the EO represents a stamp of approval on BTC and provides price support.

The presence of emerging market sovereign purchasers of gold has been a key psychological support for prices in the gold market. If the US government was to net purchase substantial quantities of Bitcoin, it would lend significant support to the price. However, there is a possibility that, with this EO, President Trump sees his promise to the cryptocurrency industry as fulfilled and no substantial purchases will follow.

Mercer does not recommend strategic allocations to cryptocurrencies. Although our recent thought piece in this area ([Deciphering the Bitcoin Ecosystem](#)) did acknowledge the tailwind of US regulatory support and was constructive on the use of such signals to dynamically allocate to the area, we continue to have serious concerns about both the utility and efficiency of cryptocurrencies.



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