SRM Perspectives

Embracing the Future of Payments: Strategic Considerations for Banks and Credit Unions in the Age of Stablecoins and Tokenized Deposits

Introduction

The financial services industry stands at a juncture, driven by blockchain technology and the rise of digital money instruments like stablecoins and tokenized deposits. These blockchain-native solutions promise faster, cheaper, and more transparent transactions, with programmable features that could redefine global commerce, institutional finance, and customer engagement.

For banks and credit unions, these innovations present opportunities to capture new revenue streams and risks of disintermediation by agile fintechs and tech giants.

This report serves as a comprehensive guide for bank and credit union executives to navigate the evolving landscape of stablecoins and tokenized deposits. It provides definitions, highlights key distinctions, examines recent market developments accelerating adoption, and offers actionable strategies to maintain competitiveness in a digital-first financial ecosystem. By understanding and leveraging these technologies, financial institutions can mitigate risks, diversify revenue, and position themselves as leaders in the future of payments.

Definitions and Key Distinctions

Stablecoins are digital assets typically issued by non-bank entities, such as fintechs or crypto-native firms, and pegged to a fiat currency (usually the U.S. dollar) at a 1:1 ratio. They operate on public, permissionless blockchains like Ethereum, Arbitrum, Optimism, Solana, and Base, enabling global, intermediary-free transfers. Stablecoins are fully reserved, meaning each token is backed by an equivalent amount of cash, cash equivalents, or short-term U.S. Treasuries held by the issuer. Leading examples include Circle's USD Coin (USDC), with a market cap of $61 billion, and Tether's USDT, at $157 billion as of mid-2025.

Stablecoin transfer volume for the last 12 months has reached $35 trillion, surpassing the combined volumes of Visa and Mastercard. However, blockchain's general-purpose nature means stablecoins support diverse use cases, with transactions initiated manually or programmatically via bots. Adjusting for automated crypto-driven volume, the 12-month volume is approximately $7 trillion, still reflecting significant adoption, particularly for cross-border payments and settlements.

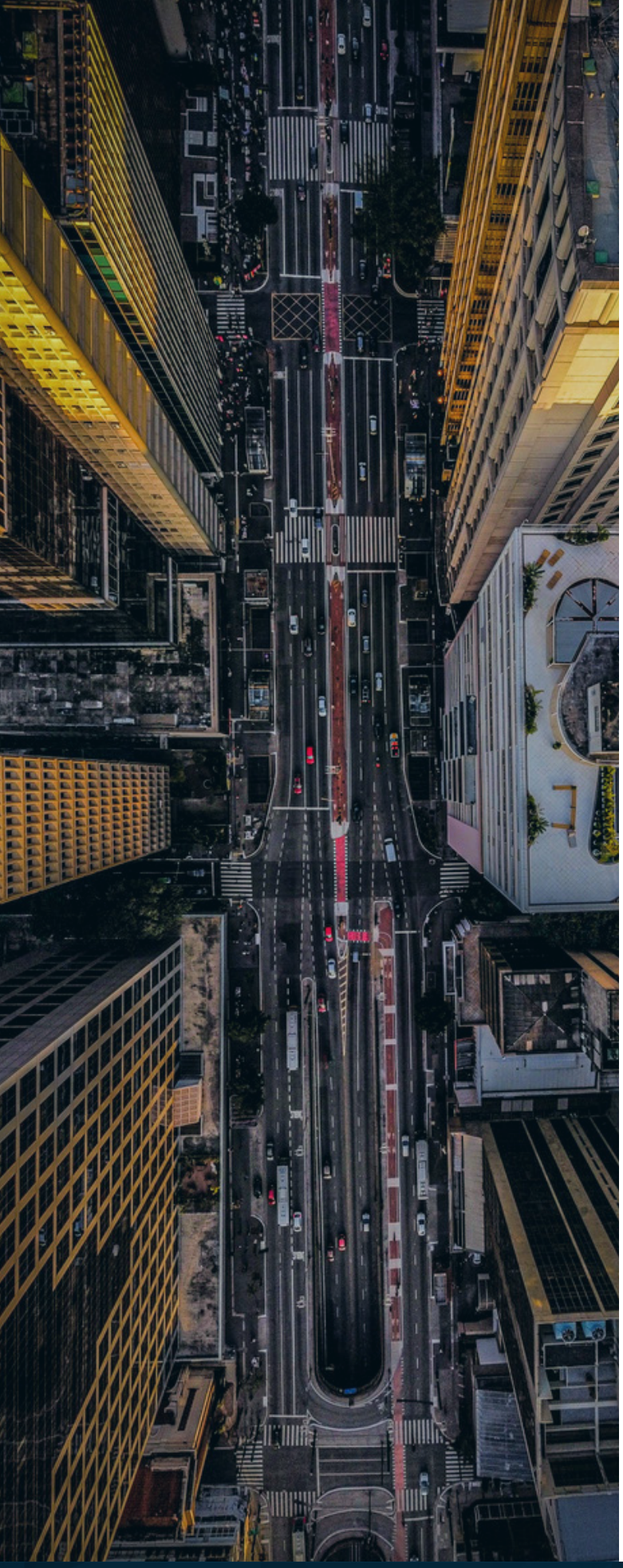
Stablecoins are bearer instruments, accessible via a digital wallet and controlled by whoever holds the private cryptographic keys. They are transferable wallet-to-wallet without bank or payment network involvement, making them highly interoperable but subject to regulatory scrutiny for reserve transparency and anti-money laundering (AML) compliance.

Tokenized deposits, like stablecoins, offer 24/7 settlement and programmable features via smart contracts. However, where they differ: they are digital representations of a bank's or credit union's liabilities, function like traditional deposits, issued by regulated depository institutions and often recorded on private, permissioned distributed ledgers (e.g., Hyperledger, Corda), though some, like J.P. Morgan's JPMD on Base, use public blockchains. Unlike stablecoins, tokenized deposits are fractionally reserved, backed by the institution's broader balance sheet rather than a dedicated 1:1 reserve. This aligns with existing banking models, where deposits are partially

Key Metrics At A Glance

$35.1T **Total Transaction Volume** **Last 12 Months**	**$7.4T** **Adjusted Transaction Volume** **Last 12 Months**	**6.8B** **Total Transaction Count** **Last 12 Months**	**1.6B** **Adjusted Transaction Count** **Last 12 Months**
$194.4B **Average Supply** **Last 12 Months**	**$7.4T** **Active Unique Sending Addresses** **Last 12 Months**	**6.8B** **Total Transaction Count** **Last 12 Months**	**1.6B** **Adjusted Transaction Count** **Last 12 Months**

Source: *Visa*



held as reserves and partially lent out, subject to capital adequacy requirements. As FDIC-insured banks or NCUA-insured credit unions issue them, tokenized deposits may qualify for deposit insurance (up to $250,000 per depositor), absent in stablecoins.

Key Distinctions (Stablecoins vs. Tokenized Deposits)

Aspect	Stablecoins	Tokenized Deposits
Collateral	Fully reserved	Fractionally reserved
Insurance	None	FDIC/NCUA eligible
Ledger	Public blockchains	Often private, sometimes public
Regulation	Evolving (e.g., GENIUS Act)	Established banking rules
Accessibility	Globally accessible	Often restricted to permissioned networks

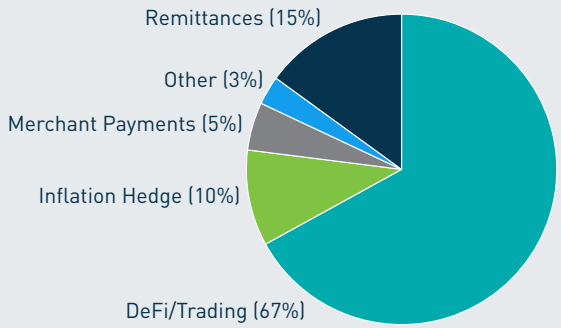
The Current Market Landscape

As of mid-2025, the stablecoin market exceeds $250 billion in circulating supply, with Tether (USDT) dominating at $157 billion and USDC at $61 billion. Emerging players like PayPal's PYUSD and First Digital Labs' FDUSD are gaining traction, reflecting growing competition. Stablecoins have evolved beyond crypto trading, now facilitating cross-border remittances, B2B payments, merchant payments, inflation hedging, decentralized finance (DeFi), and corporate treasury management. Circle processes tens of billions in USDC transactions monthly, with $517 billion in combined USDT/USDC volume on Fireblocks (a digital asset infrastructure provider) over the past 90 days.

In addition to stablecoins, tokenized deposits like JPM Coin (now known as Kinexys Digital Payments), Citi's Tokenized Services, and various pilot programs are gaining momentum among traditional financial institutions. J.P. Morgan's JPM Coin, used for euro and GBP-denominated payments, processed $1 billion daily in 2024, with Siemens leveraging it for automated treasury transfers. Additionally, J.P. Morgan has also launched proof-of-concept (PoC) of a USD

Deposit Token on a public blockchain. This token represents U.S. dollar deposits held at J.P. Morgan and is intended as an alternative to stablecoins for institutional clients' cash settlement and payments use cases. Citi's Token Services facilitated smart contract-based payments for Maersk, automating bank guarantees for canal transit.

Stablecoin Usage By Purpose 2024



Source: *Chainalysis, Fireblocks, (2024-2025)*
Note: Purpose categories do not exclude illicit use; estimates are based on aggregate stablecoin flows. DeFi trading refers to the buying, selling and exchanging of cryptocurriencies on decentralized platforms that operate without traditional financial intermediaries.

Recent Market Announcements Accelerating Adoption

Several high-profile developments in 2025 underscore the accelerating adoption of stablecoins and tokenized deposits:

1. **U.S. Legislative Progress:** The U.S. Senate passed the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act (68-30), advancing to the House. It requires full reserve backing, monthly audits, KYC, BSA, and AML compliance, and prohibits interest payments to "holders" of the stablecoin.
2. **Mastercard's Global Dollar Network:** Mastercard joined the consortium supporting USDG, PYUSD, and FIUSD, integrating stablecoins into its Multi-Token Network for banks and credit unions.
3. **Visa and Stripe's Stablecoin Integration:** Visa partnered with Yellow Card for African stablecoin payments, and Stripe piloted USDC-based Stablecoin Financial Accounts to reduce costs.
4. **Visa and BVNK Partnership:** Visa invested in BVNK, processing $12 billion in annualized stablecoin payments, planning a stablecoin-linked card by year-end.
5. **Bank Stablecoin Initiative (May 2025):** J.P. Morgan, Bank of America, Wells Fargo, and Citigroup announced a joint fiat-backed stablecoin reportedly using Zelle and The Clearing House for P2P and B2B settlements.
6. **Fiserv's FIUSD:** Fiserv plans to issue a U.S. dollar-pegged stablecoin by year-end, leveraging Paxos and Circle infrastructure to connect 10,000 institutions and 6 million merchants.
7. **Shopify's USDC Integration (June 2025):** Shopify partnered with Coinbase and Stripe to enable USDC payments on Base, reducing merchant fees by up to 85%.
8. **Amazon and Walmart Rumors (2025):** Reports suggest proprietary stablecoins integrated with AI-driven shopping agents, potentially bypassing payment networks.
9. **Circle's IPO (April 2025):** Circle went public at $5 billion, with USDC integrated into banking systems by Matera, J.P. Morgan, and Citi.
10. **Coinbase's x402 Protocol (June 2025):** Coinbase and AWS introduced x402 for stablecoin payments over HTTP.
11. **Bank for Internation Settlements (BIS) on Tokenization:** BIS praised tokenization as transformative, suggesting that tokenized deposits complement existing infrastructure.
12. **Ubyx's Clearing Network: Ubyx's Clearing Network (May 2025):** Ubyx revealed a universal clearing and settlement network to tackle stablecoin market fragmentation, aiming to facilitate scalable and interoperable transactions. Ubyx recently closed their initial seed fund securing $10MM in investments led by Galaxy Ventures, with participation from Coinbase Ventures, Founders Fund, VanEck, Paxos and others.

Economic and Strategic Implications

Stablecoins and tokenized deposits threaten interchange fees (2-3%) and correspondent banking fees, as blockchain enables near-zero-cost P2P transfers. USDC transfers on Solana cost less than $0.01 (though fees may rise during congestion) and settle in under 5 seconds, unlike SWIFT's multi-day process. Opportunities include:

- **Custody Services:** Banks can charge fees for stablecoin custody (e.g., BNY Mellon with Circle).
- **Redemption, Issuance, and FX Fees:** Conversion between stablecoins and tokenized deposits into fiat bank deposits and vice versa issuing direct from bank accounts.
- **Digital Wallets:** Branded wallets for customer engagement and monetization.

- **API Monetization:** APIs for stablecoin and tokenized deposit integration via Fintech Partner Stablecoins-as-a-Service (SaaS) offerings.
- **Interest Income:** Tokenized deposits enable traditional revenue derived from using deposits as a funding source for making loans. Stablecoins might be able to earn diversified yield by using a line of credit as collateral rather than a cash deposit or US Treasuries.
- **Treasury Services:** Stablecoins and tokenized deposits open the door to faster, programmable, and more transparent liquidity and cash management solutions. For example: cash management, payments and settlement, tokenized asset brokering/working capital markets, lending and repo markets, automated treasury workflows, and risk management.

Regulatory Developments

The U.S. regulatory landscape is evolving. The GENIUS Act, passed by the Senate in 2025 (68-30), establishes a framework for stablecoins, overseen by the OCC, Federal Reserve, FDIC, and NCUA, requiring:

- **Full 1:1 reserve backing with cash or Treasuries.**
- **Monthly audits by certified auditors.**
- **Public disclosure of reserves and redemption policies.**
- **Redemption within three business days.**
- **Segregation of reserves.**
- **Prohibits interest payments to "holders" of the stablecoin**

In April 2025, the Federal Reserve, FDIC, and OCC withdrew restrictive Biden-era crypto guidance, allowing permissible stablecoin activities without prior approval. The FDIC's March 2025 guidance permits crypto activities, including stablecoin reserves, under standard oversight. The OCC deems stablecoin issuance, custody, and blockchain validation permissible for banks. The NCUA oversees credit union stablecoin subsidiaries under the GENIUS Act. Tokenized deposits align with existing banking rules and evolving digital ledger security and audit standards.

Deployment Considerations

Deploying stablecoins or tokenized deposits requires:

- **Digital Wallets:** Custodial or non-custodial for KYC/AML and transaction execution.
- **Ledger Technology:** Public blockchains for stablecoins; private or public for tokenized deposits.
- **Smart Contracts:** Audited libraries for programmable payments.
- **Identity Systems:** KYC, zero-knowledge proofs, or decentralized identifiers for AML.
- **Compliance Tools:** Chainalysis or TRM Labs for transaction monitoring.
- **Interoperability:** Bridges to ACH, FedNow, RTP, SWIFT, and ISO 20022.
- **Custodial Accounts:** Banks or trust companies safeguard reserves.
- **Architecture & Governance:** Clearinghouse or consortium models.

Stablecoin issuers like Tether and Circle can freeze or burn tokens for compliance, a feature financial institutions may adopt for tokenized deposits, though it contrasts with blockchain decentralization.

Risk Analysis

Key risks include:

Risk	Description	Mitigation
Liquidity	Runs (e.g., USDC's 2023 de-pegging*)	Excess reserve buffers
Operational	Smart contract bugs or outages	Audits, testing
Regulatory	Evolving laws (e.g., Tether's 2021 fine)	Compliance tools
Cybersecurity	Hacks or key management failures	Robust custody solutions
Reputation	Illicit activity associations	Blockchain analytics

*USDC's 2023 de-pegging, caused by $3.3 billion in inaccessible Silicon Valley Bank reserves, quickly recovered due to reserve strength and a U.S Treasury bailout of creditors.

Outlook and Strategic Recommendations

Citi forecasts the stablecoin market could reach $1.6-$3.7 trillion by 2030 (stablecoin market cap is, as of June 2025, $265MM), driven by payments, remittances, and tokenized asset settlements, though estimates vary. Tokenized deposits will grow in regulated markets, leveraging FDIC/NCUA insurance.

If your organization wants to be part of this thriving ecosystem, here's a roadmap of strategic recommendations:

Educate Leadership
Become familiar with blockchain, stablecoins, tokenized deposits using Federal Reserve and Bank for International Settlements research papers.

Develop a Roadmap
Start with digital wallets, stablecoin rails, or tokenized networks (e.g., JPMorgan's Kinexys or Citi's Token Services).

Join Consortiums or Clearinghouse
Investigate sharing costs via consortium models or integration into the Ubyx stablecoin clearinghouse.

Pilot Programs
Test tokenized deposits for B2B payments and prepare for stablecoin integration.

Enhance Compliance
Use blockchain analytic tools and smart contract audits.

Engage Regulators
Collaborate with FDIC, OCC, NCUA, and Congress.

Prioritize User Experience
Match traditional banking simplicity.

Act now to invest, experiment, and build before competitors dominate the digital payment landscape.

Conclusion

Stablecoins and tokenized deposits are reshaping finance, offering speed, cost savings, and programmability. Stablecoins, fully reserved and globally accessible, excel in cross-border and merchant payments but lack deposit insurance. Tokenized deposits, fractionally reserved and insured, align with banking frameworks but require infrastructure investment. Developments like Circle's IPO, Shopify's USDC adoption, and bank-led stablecoin initiatives signal mainstream traction. Banks and credit unions must act swiftly to integrate these technologies or risk losing ground to fintechs and tech giants. By leveraging consortia, piloting programs, and enhancing compliance, institutions can redefine their role in the digital economy. The time to invest, experiment, and build is now.

We are watching this space closely and anticipate, in a future SRM Perspectives Report, to share real-life scenarios, use cases, and further actionable strategies.

For strategic advisory or implementation support as it relates to preparing for stablecoin and tokenized deposits, feel free to contact Larry Pruss from the SRM Perspectives team.

About the Author

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SRM Perspectives

Larry Pruss has over 25 years of experience as a trusted adviser, strategist, author, speaker, and futurist. As the Managing Director of SRM Perspectives, Larry leads SRM's expanding thought-leadership initiatives. He also hosts SRM's Perspectives Live! webinar series, serves as a member of the US Faster Payments Council, and is a Fellow at the Digital Euro Association. Larry's career includes leadership roles at prominent financial institutions such as Bank of America and Banque Nationale.

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