

Banks May Preserve the Deposit — but Lose the Depositor

A community and regional bank strategy for stablecoins, tokenized deposits, and the multi-rail era

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~\$300B

stablecoins outstanding, USDT and USDC ~83%

733%

growth in measured B2B stablecoin payments, 2025

\$7B+/day

tokenized-deposit volume on one bank network alone

40

de novo charter applications in 18 months to Aug 2026

In brief. Banks can win the fight for the deposit and still lose the depositor. The deposit is the first link in a chain that ends in the client relationship and its revenue — and the larger risk is the client who never arrives, because digital-native businesses now start on fintech rails. No single-rail bet is warranted: tokenized deposits lead on real payment volume, stablecoins on reach. The answer is to buy the rails, build the intelligence, and own the relationship.

IN THIS PAPER

The decision banks face · What is actually happening · This is bigger than Gen Z · Getting the fight right · What banks should do · The open question · Implications for leadership

Working paper · Views are the authors’ own and do not represent their employers or affiliated organizations.

AT A GLANCE

Five things to take from this paper

1. **Most banks are asking the wrong question.** “Which digital dollar wins?” misses the larger risk. The better questions: what should the bank own, what should it connect to, and why is waiting the real risk?
2. **A bank can win the deposit and still lose the depositor.** The deposit is the first link in a chain — transactions, treasury workflow, data, the relationship, credit, FX, card and merchant revenue. Whoever owns the interface owns what follows.
3. **The larger risk is the client who never arrives.** Digital-native businesses build their financial stack on fintech rails at inception, and fintechs are becoming chartered competitors with bank economics.
4. **No single-rail bet is warranted.** Tokenized deposits lead on real payment volume today; stablecoins have solved reach and availability ahead of scale. The networks do not yet talk to each other, and convergence is under way.
5. **Buy the rails, build the intelligence, own the relationship.** Favor connectivity over custody, partner across industries rather than only across banks, and move in stages — quickly enough that no one else becomes the client’s financial operating platform first.

A tokenized-deposit strategy protects the product. A multi-rail strategy protects the client relationship.

About this paper. This is a strategy paper written for the boards and executive teams of community and regional banks, and for the technology and treasury leaders who serve them. It draws on public disclosures, regulatory publications, and industry research; market figures are as of mid-2026 and are cited in the notes. It argues a position rather than surveying the field, and it says where the argument is unsettled.

The decision banks face

Most banks are asking the wrong question about digital money. The question on the table is usually “which version of the digital dollar wins — stablecoins or tokenized deposits?” That framing misses the larger risk.

Banks can win the narrow fight. They can keep deposits — or, more precisely for some, minimize outflows — inside the regulated banking system, and *still lose* the long-term fight for clients. Some urgency is understandable: deposits fund lending and support liquidity, so banks are right to defend them. But the deposit is only the first link in a longer chain. Transactions, treasury workflow, data, the relationship itself, and the credit, FX, card and merchant revenue that follow it are all downstream. A bank that protects the *balance* while ignoring the client’s needs and preferences, and lets another provider own everything downstream, has solved the smaller problem — and only temporarily.

It does not have to be this way. Clients consistently say they would rather receive digital-asset services from an institution they already use and trust than from an unfamiliar exchange. Put simply, banks are sitting on a trust advantage they are not monetizing.

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A subtler, and potentially more significant, risk than deposit loss is that *the next-generation depositor may never arrive in the first place*. Fintechs are not necessarily luring legacy deposits away from banks. But as they gain banking charters and offer more convenient money-movement and treasury services inside a digitally native framework, the pipeline of traditional community and regional banking clients may simply not show up, opting instead to remain on the platforms where they started.

So the better questions are these: what should the bank *own*, what should it *connect to*, and why is *waiting* the real risk?

What is actually happening

Multiple digital money-movement systems are operating in parallel. The largest institutions are taking an option-forward approach: connecting to existing networks while building their own, preserving optionality while continuing to move. For community and regional banks with finite resources, the question is what action to take, and when, in a marketplace that is still forming.

Timed to the recent OUSD Open Standard stablecoin announcement, JPMorgan, Bank of America and Citi are building a shared tokenized-deposit network through The Clearing House, targeting 2027, with Hazel positioned as a community-bank counterweight. Other networks — CARI, SWIFT’s tokenized ledger, and the longer-horizon Project Agorá — are moving in parallel. Agorá already shows what a working version looks like, albeit at small scale: in July 2026, 28 banks including

JPMorgan, Citi and UBS settled 30 live transactions across six currencies in roughly 80 seconds each.¹ That is real, technically impressive progress inside a closed, 28-bank network. Community banks are moving too: five regional banks are piloting a U.S. consortium and at least two more have been announced for 2027, against roughly \$300 billion in stablecoins now outstanding. The fragmentation is itself a signal — no bank can, or should, make a single-rail bet this early.

Crucially, most of these platforms do not talk to each other yet. Private and permissioned networks such as Canton and SWIFT are built for control and compliance; public networks optimize for openness and reach. Connectivity between them must be deliberately created, and near-term plans for cross-network fungibility are limited. A JPMorgan deposit token still cannot reach a USDC wallet. That is not an early-stage bug; it is a structural feature of each effort. These are permissioned networks whose gatekeepers set the rules, and reaching one from another will require a negotiated bilateral agreement rather than the default interoperability open networks provide.² Vendors are moving fast to make blockchain rails plug-and-play for banks in response: Fiserv's FIUSD and a Jack Henry-led alliance — the Fintech Integration Network, with Stablecore, Metallicus and others — already touch roughly 1,670 banks and credit unions. The GENIUS Act, signed in July 2025, gives payment stablecoins a federal legal framework for reserves, reporting and issuance: a clear path to blockchain settlement and custody, not a mandate that banks issue their own coin. The CLARITY Act, if passed, would extend and sharpen it.

BOARD NOTE

Speed and liquidity efficiency are different problems

Continuous gross settlement can lower credit exposure, but it can also raise the amount of liquidity a bank must hold versus netted rails such as ACH and check — or hybrid and specialized cases such as CHIPS.³ Tokenization mainly addresses speed. Boards should ask what a given rail does to intraday liquidity before they ask what it does to settlement time.

Stablecoins are not replacing global banking at current scale, and the data reflects that. They are solving problems of reach, availability and programmability *before* achieving comparable scale. Even with rapid growth — including 733% year-over-year growth in measured B2B stablecoin payments in 2025 — banks have time to adapt. That creates room to offer clients a broader portfolio of capabilities across stablecoins, tokenized deposits and traditional domestic and international rails, rather than betting today on which model ultimately wins.

EXHIBIT 1

The volume and scale challenge for stablecoins: daily transaction activity versus traditional benchmarks

The Volume and Scale Challenge for Stablecoins

Daily transaction activity volume comparison



Source: Authors' analysis of BIS Triennial Survey (FX), SWIFT, Tabs Insights (B2B cross-border) and Coin Metrics—adjusted stablecoin data; figures as of 2025–26. Payment stablecoins reflect genuine economic payment volume rather than nominal on-chain transfers.

This is bigger than Gen Z

The generational data is real but too narrow a lens. Digital-first startups and small businesses are building their entire financial stack on Stripe-, Block- and SoFi-style rails from the day they incorporate, which means the mid-market and large-corporate pipeline is thinning too — not just retail. Mercury alone now serves more than 300,000 businesses with checking, treasury, cards and venture debt, and holds conditional approval for a national bank charter.

The competitive risk for regional and community banks is not that a fintech steals an existing \$100 million commercial relationship. **It is that the ten-employee company that will become a \$100 million client in five to ten years builds its payments and treasury operations now on a fintech platform.** By the time a bank's traditional business-development process would recognize the opportunity, the switching cost is already too high. The depositor is never lost, because the depositor never arrives.

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As competition sets in, it is worth remembering that little evidence ties *current* deposit flight from smaller banks to newer fintechs. Smaller-bank clients have been net departing since 1998, and most

studies cite digital capability and convenience as the reason; the evidence indicates they are moving to more convenient digital banking at the largest institutions.⁵ Better Markets found in April 2025 that the combined assets of banks with less than \$10 billion in assets — a rough proxy for community and small regional banks — have stayed roughly flat at around \$2.5 trillion for three decades, about 13% of industry assets in 2023, while the 32 largest U.S. banks grew from roughly \$800 billion in combined assets in 1993 to more than \$17 trillion in 2023.⁴ The implication is that the relationship is there to be kept: clients are not leaving for radically different offerings, just for traditional banking done faster and more conveniently.

Reframed that way, tokenized deposits and stablecoin connectivity are a relationship and new-revenue opportunity, a defense against deposit migration to larger banks with stronger digital capabilities, and a way to reduce the risk of losing future clients to technology-native platforms before the relationship ever begins. AI changes the economics further. It is increasingly practical for a community or regional bank to build differentiated treasury intelligence, personalization and multi-rail capability on top of third-party infrastructure — capabilities that once required a money-center technology budget, with AI lowering the cost and complexity of the intelligence layer that differentiates.

Getting the fight right

Banks already understand the first-order threat: a client moves money from a deposit into a stablecoin, and the bank loses funding, lending capacity and margin. That threat is real and deserves attention.

But a second-order threat matters more. Another platform becomes the client's primary interface — the wallet, the payment-initiation screen, the treasury dashboard. The bank keeps the account balance but loses the payments revenue, the FX, the merchant activity, *and the data that come with active use.*

PRECEDENT

What merchant acquiring already taught the industry

Non-bank processors now handle more than half of U.S. merchant acquiring — a business that used to belong mostly to banks.⁶ Stripe alone processed roughly \$1.9 trillion in payment volume in 2025, up 34% year over year, and has since expanded into card issuing, lending and embedded treasury. Banks did not necessarily lose the underlying deposit in that shift. They lost the interface and the economics around it.

Because many blockchain-enabled interfaces are offered as a service — white-labeled front and back ends to digital rails and markets — a community bank can keep the trusted primary relationship its clients say they want. The severing of the revenue-generating parts of the relationship is entirely avoidable.

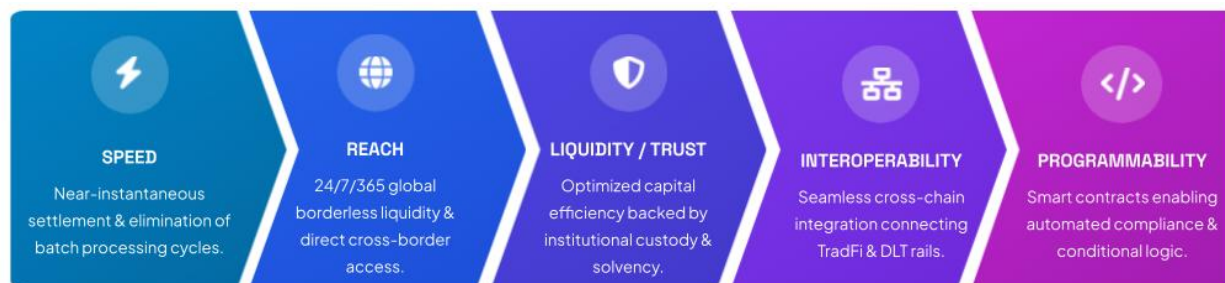
The comparison that matters most is not stablecoins versus a big-bank tokenized-deposit network. It is stablecoins versus SWIFT and bank-to-bank rails such as Kinexys on cross-border reach. Coins

currently have the edge unless programmable money closes the gap, which has not happened yet. Domestically, the picture is different: wire, same-day ACH, RTP and Zelle already cover most of the speed and reach problem, and ACH alone moved more than \$86 trillion across 33 billion transactions in 2024. A tokenized deposit that merely matches RTP is not adding much at home. The real edge for open digital money is cross-border reach and, eventually, programmability.

The framework we suggest for evaluating any rail is a strategic chain of five capabilities:

EXHIBIT 2

The strategic chain: five capabilities that decide where a rail wins



Source: Authors.

Through that lens, U.S. real-time payments already meet the speed and reach requirements domestically. Cross-border, however, speed, reach and interoperability are all up for grabs — which is precisely where tokenized deposits on Kinexys and SWIFT's moves are meaningful. They bring the correspondent-banking network, combined with liquidity, volume and today's trust, and that buys the time to win on speed first and on interoperability and programmability later.

EXHIBIT 3

Three ways to hold a digital dollar — and why banks need more than one

Three ways to hold a digital dollar — and why banks need more than one

The strategic tradeoff is simple: insurance and yield favor deposit forms; reach and portability favor stablecoins.

Dimension	 Bank Deposit	 Tokenized Deposit	 Stablecoin
 Legal form	Claim on a bank	Same claim, on a ledger	Bearer instrument
 Insurance	✓ FDIC insured	✓ FDIC preserved	— None
 Yield to holder	✓ Permitted	✓ Permitted	— Typically no
 Reachable counterparties	~4,000+ U.S. banks	5–17 per network	✓ Anyone with a wallet
 Access requires	Bank relationship	Bank + network membership	✓ No bank relationship
 Best fit use cases	Traditional banking & payments	Bank-native programmable money	Portability, collateral & market access
 Primary constraint	Banking hours / legacy rails	Reach / coordination	No deposit economics / no insurance
 Backed By	Deposits subject to fractional reserve lending	Deposits subject to fractional reserve lending	1:1 asset backed, usually US Treasuries



Takeaway: Tokenized deposits protect the deposit. Stablecoins maximize reach. Winning banks will need a strategy that supports both.

Source: Authors' analysis. Insurance and yield favor deposit forms; reach and portability favor stablecoins.

That said, the scale gap is still enormous, and it is worth saying plainly. The stablecoin market is roughly \$300 billion outstanding, with USDT and USDC accounting for about 83% of it. Raw blockchain transfer statistics overstate real commercial use: genuine stablecoin payment volume is closer to \$390 billion a year, of which business-to-business payments are about \$226 billion — though B2B is growing at roughly 733% year over year.

By contrast, JPMorgan's Kinexys alone moves more than \$7 billion a day in tokenized-deposit volume. On real payment activity, tokenized deposits are winning today, and it is not close. Institutional tokenized-deposit activity already operates at meaningful scale above stablecoins, while stablecoins have achieved broader open-network reach with far smaller measured commercial-payment activity. Stablecoins matter not because they have caught up on scale but because they solved reach and availability ahead of it — and any bet on which solution wins over time has to weigh that. Put another way: global B2B cross-border payment flows run roughly \$173 trillion a year

against ~\$390 billion in genuine stablecoin payments. B2B cross-border is on the order of 440 times larger, which leaves a great deal of room for stablecoin usage to grow.

And the tokenized-deposit lead may not be durable. A recent legal and market-structure paper by Rettig, Malekan and Mosier argues that permissioned networks — the architecture behind most tokenized-deposit systems — carry structural weaknesses that public, permissionless networks avoid: gatekeepers who can grant, revoke or reverse participation at their own discretion; network effects that accrue mainly to the operator rather than to every participant; and a governance record that has proven hard to sustain neutrally over time.²

Given the contrast between permissioned networks that provide governance and regulatory control and public networks that provide openness and distribution, the strategic question becomes how banks access both.

The argument that customers will, over time, push back against closed, gatekept networks with concentrated power when more neutrally governed platforms exist is a real headwind for any bank betting entirely on a closed consortium.

Meanwhile, the old comfort line — “everyone still needs a traditional bank” — is losing force. The OCC received 40 de novo charter applications in the eighteen months ending August 2026, against fewer than four a year from 2011 through 2024, and the applicant pool includes payments firms, digital lenders and stablecoin companies. SoFi shows what a charter plus deposits can do: \$45.5 billion in deposits and a 96% deposit-funded balance sheet as of the second quarter of 2026.⁹ A fintech with a charter is not a partner anymore. It is a competitor with bank economics.

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What banks should do

No single vendor yet offers genuinely complete, bank-grade, treasury-ready connectivity and a control plane across tokenized deposits and coin-exchange links, with routing. We expect that gap to close quickly, and we expect banks to build some of it themselves rather than wait for a turnkey product.

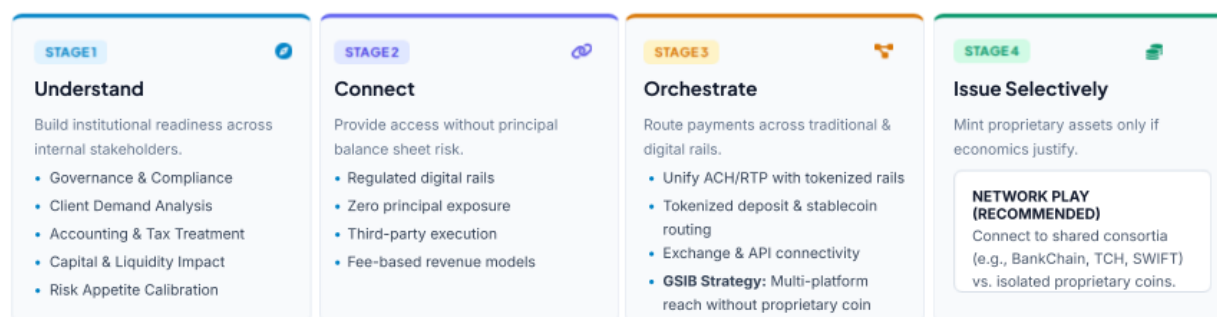
Favor connectivity over custody wherever possible. Most banks do not want digital assets on the balance sheet, and the capital treatment does not reward it: under Basel III, an unbacked crypto-asset currently carries a 1,250% risk weight, which makes holding it close to prohibitive.⁷ A basic redemption flow shows why architecture matters. A client sends a stablecoin; the bank or its partner submits it for immediate redemption; the token is burned; and the exposure becomes a short-lived receivable from the issuer until cash settles. Designed well, a bank can offer the service while carrying almost none of the underlying asset risk.

Collaborate — but reach outside the banking industry. Collaboration is a community bank’s structural advantage, but a consortium of banks alone recreates another closed network: useful, but still an island of dependency. Consortium governance is also harder to keep neutral than it looks. A single vendor often ends up owning the validator software and infrastructure the whole consortium runs on, reintroducing the lock-in banks were trying to escape, and neutral governance among competing institutions has a poor survival record.⁸ The more valuable partnerships connect banks not only to each other but directly to digital-asset exchanges and stablecoin infrastructure — the way emerging hybrid models are beginning to blend stablecoin reserve economics with bank distribution. A U.S.-only consortium cannot match a coin’s global reach; a cross-industry partnership can.

Move in stages. A simple staged approach:

EXHIBIT 4

A staged approach: understand, connect, orchestrate, issue selectively



Source: Authors. The network play — connecting to shared consortia rather than issuing an isolated proprietary coin — is the recommended path at stage four.

Put simply: **buy the rails, build the intelligence, own the relationship.** Banks do not need to recreate blockchain infrastructure, wallet technology or every interoperability protocol; vendors have largely built that layer. What a bank should own is the client relationship, the liquidity and lending relationship, compliance intelligence, client data, and the routing logic that decides which rail a given payment should use. Treasury and AI-assisted routing across rails is where a bank’s advantage actually compounds.

Buy the rails, build the intelligence, own the relationship.

The open question

Not every element of this argument is settled, and the honest version of this paper says so. Tokenized-deposit networks and stablecoin models are already starting to converge: recent approaches share reserve economics between banks and distributors, and banks are exploring assets that behave differently on-platform and off. If that convergence continues, does a closed, bank-native network eventually reach enough of the market that banks do not need a stablecoin path at all? Or is

supporting both — with sweeps and orchestration underneath — unavoidable regardless of how fast tokenized-deposit reach improves?

We do not think that question has a clean answer yet. What is clear is that a tokenized-deposit strategy can protect the product. A multi-rail strategy protects the client relationship. Banks do not need to predict the winning rail. They need to preserve enough optionality to serve clients across rails — and then move quickly enough that someone else does not become the client's financial operating platform first.

Implications for leadership

Five moves follow from the argument above. None requires predicting which rail wins.

1. **Reframe the objective.** Measure success by ownership of the client interface and the revenue chain behind it — not by deposit balances alone.
2. **Favor connectivity over custody.** Offer digital-money services through redemption and sweep architectures that keep asset risk off the balance sheet.
3. **Partner across industries, not only across banks.** A bank-only consortium is another closed network; exchanges and stablecoin infrastructure extend reach a U.S. consortium cannot.
4. **Build the intelligence layer.** Own routing logic, compliance intelligence and treasury insight; buy the rails underneath. AI has made this affordable for institutions below money-center scale.
5. **Start now, in stages.** Understand, connect, orchestrate, issue selectively. The cost of waiting is measured in clients who never arrive.

FOUR QUESTIONS FOR YOUR NEXT BOARD AGENDA

- Which of our clients already move money outside the bank for capabilities we do not offer — and do we measure it?
- What is our pipeline of digital-native businesses, and where are they banking today?
- What does a shift to continuous gross settlement do to our intraday liquidity, and who owns that analysis?
- If a client asked for stablecoin transaction settlement and access next quarter, what would we say — and who would we route them to?

About the authors

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Notes

1. Bank for International Settlements, *Project Agorá*, July 2026 pilot results, bis.org/project/agora.
2. Rebecca Rettig, Omid Malekan and Michael Mosier, *The Compatibility of Permissionless Networks and Financial Integrity: A Practical Guide for Financial Institutions*, SSRN Working Paper No. 7343938 (2026). The paper observes that a permissioned network “answers to its operator, who can edit its entries or shut off access,” and that access, participation and interoperability depend on that operator’s ongoing agreement, unlike permissionless networks. It is framed around AML and sanctions compliance for blockchain networks generally; its application here to the tokenized-deposit versus stablecoin comparison is the present authors’ extrapolation.
3. CHIPS settles quickly, similar to real-time gross settlement, but its hybrid netting capability delivers the liquidity benefits of a net-settlement system.
4. Better Markets, *Community Banks: Vital to Main Street Families* (April 17, 2025), bettermarkets.org.
5. Raisin, *2026 Consumer Banking Trends* (fees, service quality and branch or digital convenience lead the reasons customers stay or switch); PYMNTS, *Why Community Bank Accounts Must Pass the “Everyday Test”* (2026); RFI Global, *Plugging the Leak: Retaining Banking Customers Amid Record Switching* (2026).
6. McKinsey & Company, *Fintechs gain ground in merchant acquiring* (McKinsey analysis).
7. Basel Committee on Banking Supervision, prudential standard for banks’ crypto-asset exposures (Group 2 unbacked crypto-assets: 1,250% risk weight). Final Basel treatment of GENIUS Act—compliant, reserve-backed payment stablecoins was still evolving at the time of writing.
8. Rettig, Malekan and Mosier, *supra* note 2, noting that a permissioned network often has “a single company that legally owns the intellectual property of the platform including validator software, provisioning of hardware and the like,” and that “sustaining neutral governance arrangements among competing institutions over decades has proved very hard” — citing Visa’s conversion from a member-owned cooperative into an investor-owned company as the cautionary case.
9. Market data in this paper: Stripe 2025 annual update (payment volume); SoFi Technologies second-quarter 2026 earnings release (deposits and funding mix); Office of the Comptroller of the Currency, news release of August 11, 2026 (de novo applications); Nacha (2024 ACH volume); Mercury company disclosures; J.P. Morgan Kinexys disclosures; stablecoin supply and adjusted payment-volume estimates as reported by Bloomberg citing Coin Metrics (January 2026); global B2B cross-border payment flows per Tabs Insights. Figures are as of mid-2026 and rounded.

Disclaimer. The views expressed are those of the authors and do not represent the positions of Regions Bank, Coinbase, the Alternative Investment Management Association, or any affiliated organization. This paper is provided for informational purposes only and does not constitute legal, regulatory, investment or accounting advice. Market figures are drawn from public sources as of mid-2026 and are subject to revision.

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