White Paper

how stablecoins are disintermediating deposits and payments

What Leaders Must Know to Prepare and Preserve Accountholder Relationships

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executive summary

Stablecoins and decentralized finance (DeFi) are accelerating a structural shift in how consumers and businesses store value, move money, and access credit. While traditional financial institutions remain central to the financial system, the rapid growth of digital assets, tokenized payments, and always-on settlement networks is creating new competitive pressures on deposits, payments, and lending.

For financial institution leaders, the question is no longer whether digital assets will influence banking. It's how quickly these technologies will reshape accountholder expectations and balance sheet dynamics. Stablecoins are emerging as a viable alternative to traditional payment rails, while tokenized deposits offer a path for financial institutions to deliver many of the same benefits without surrendering deposit relationships.

Understanding the differences between stablecoins, tokenized deposits, and broader digital asset ecosystems will be critical as regulation matures and adoption expands. Financial institutions that assess their exposure, identify strategic opportunities, and prepare for future participation will be better positioned to retain accountholders, protect deposits, and compete in an increasingly digital financial landscape.

evolution of deposit and payment disintermediation

The foundations of DeFi in the United States began more than a decade ago. What started as the experimental era of programmable money following Ethereum's launch in 2015[1] has evolved into a highly automated parallel financial system that can operate outside many traditional intermediaries.

During the rapid growth of the 2020 – 2021 "DeFi Summer," innovations such as yield farming and algorithmic lending demonstrated that software could manage multibillion-dollar liquidity pools without centralized credit committees.

This expansion attracted increased regulatory scrutiny, prompting developers to build more resilient and decentralized architectures. Today, the speculation that characterized the industry's early years is increasingly being replaced by enterprise-grade infrastructure, evolving regulatory frameworks, and growing adoption among both institutions and consumers.

DeFi challenges traditional financial institution models by enabling individuals and businesses to transact, borrow, and invest directly through blockchain-based platforms. This trend is being driven by users seeking higher returns, frictionless fund transfers, and 24/7 settlement capabilities, while borrowers are attracted to alternative financing options that can offer lower costs and faster access to capital.

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Non-traditional payment options and fintech services are accelerating a structural shift in how and where people hold their money, moving beyond traditional closed-loop banking models. This transition is reshaping asset custody and management in several ways:

- **Stablecoins:** They act as 24/7 dollar-backed networks, drawing down low-cost deposits and funding immediate, borderless settlement.
- **Self-Custody:** Advanced smart-contract wallets remove financial institutions as asset gatekeepers, eroding traditional custody relationships and balance-sheet visibility.
- **DeFi Yield:** Automated protocols eliminate credit intermediaries, capturing retail and commercial capital via real-time market-driven yields.
- **On-Chain Credit:** Borrowers can instantly secure a loan against their digital assets without credit checks or underwriting processes.
- **Blurred Lines:** Fintech apps now embed blockchain back-ends, expanding product suites, and creating an onboarding conveyor belt that normalizes disintermediation.

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While this transformation will unfold over time, it's no longer hypothetical. A fundamental shift in money movement and value storage is underway. Financial institution leaders are already paying close attention, with stablecoins and digital assets ranking among the technologies most likely to reshape payments.[2]

By understanding how consumers and businesses are already interacting with DeFi ecosystems, you can develop strategies that provide accountholders with greater optionality while preserving primary financial relationships.

fundamentals of tokenized money

Emerging rails replace the traditional central intermediary model with blockchain-based ledgers and automated smart contracts capable of verifying and settling transactions around the clock, any day of the week. Assets can move across networks in near real time without relying on traditional clearing systems, fundamentally changing how value is stored, tracked, and transferred.

Core Asset Classifications

- **Cryptocurrencies:** Digital assets that use blockchain networks to enable peer-to-peer (P2P) transactions without a central authority. These assets are often highly volatile. Examples include Bitcoin (BTC) and Ethereum (ETH).
- **Payment stablecoins:** Digital tokens designed to maintain a stable value, typically through a 1-to-1 peg to the U.S. dollar and backing from cash or short-term Treasury reserves. Leading examples include USD Coin (USDC) and Tether (USDT).
- **Tokenized deposits:** Digital representations of regulated financial institution deposits issued on private, permissioned blockchain networks. Examples include JPM Coin and the USDF Consortium network.
- **Deposit tokens:** Financial institution-issued tokens on public blockchains that represent a direct claim on deposits held at the issuing institution while enabling programmable, 24/7 settlement capabilities.

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Off-Balance-Sheet Stablecoins vs. On-Balance-Sheet Tokenized Deposits

As your financial institution evaluates tokenized money strategies, it is essential to understand who controls the underlying assets, manages liquidity, and assumes the associated regulatory and balance-sheet obligations.

- **Stablecoins** generally operate outside the traditional banking system and are not insured. The FDIC clarified that payment stablecoins themselves are not insured deposits, nor are stablecoin holders eligible for pass-through FDIC insurance coverage. When accountholders convert deposits into stablecoins, those funds typically leave your financial institution's balance sheet. The stablecoin issuer manages the reserves, which are often held in large financial institutions or invested in short-term U.S. Treasuries. Current use cases include cross-border commerce, consumer transfers, and digital asset trading.
- **Tokenized deposits** are traditional deposits wrapped in blockchain technology. They remain on your financial institution's balance sheet and continue to be subject to existing regulatory and capital requirements. Blockchain infrastructure simply enables real-time ledger updates and faster settlement while preserving the deposit relationship. Current use cases include treasury management, interbank settlement pilots, and corporate payments.

Crypto and Tokenized Money Matrix

Core Concept	Cryptocurrencies	Stablecoins	Tokenized Deposits & Deposit Tokens
Primary accountholder segments	Tech-forward consumers, retail day traders, crypto-native firms, and speculative macro hedge funds motivated by the possibility of high returns.	Firms with international contractors and retail consumers, investors, crypto traders, and users looking for fast, cheap, cross-border P2P remittances.	Enterprise businesses that need 24/7 liquidity management, instant supply-chain settlement, and automated, programmable vendor payments.
Risk to financial institutions	Disintermediate financial institutions. Drain deposits into a highly volatile, unbacked parallel financial system.	Deposit flight. Funds are pulled to a tech issuer's centralized reserve account.	Keeps deposits on the financial institution's balance sheet. Capital stays within.
Usage	Inflows into digital assets hit $130B in 2025.[3]	Transactions reached $33T in 2025.[4]	JPM Coin tokenized deposits instances total $1B daily.[5]
Where cash sits	No cash backing; value is 100% market driven.	A tech company's private reserve account (often at custodians or treasuries).	A financial institution's balance sheet under standard oversight.
Bottom line	High-yield alternative that draws yield-seeking corporate and retail capital away from financial institution portfolios. Enabling money movement on/off keeps financial institutions as the primary financial relationship.	Fast, 24/7 dollar-backed payment networks used by retail and commercial clients to bypass wire and ACH delays and high fees. Enabling money movement on/off keeps financial institutions as the primary financial relationship.	May be enabled through consortiums, offers instant, 24/7 programmable payments, keeping funds on financial institution's books and as the primary financial relationship.

Not all forms of digital money are created equal. While balance-sheet implications are important, understanding which accountholder segments are adopting these solutions – and why – may be even more critical to your long-term strategy.

stablecoin usage trends

The stablecoin ecosystem continues to expand rapidly. As adoption grows, stablecoins are becoming an increasingly important component of digital asset infrastructure and a potential competitor for deposits, payments, and liquidity relationships traditionally held by financial institutions.

Adoption Drivers

24/7/365 settlement

Continuous settlement capabilities are a primary driver of business adoption. Stablecoins operate on always-on blockchain infrastructure that eliminates traditional banking hours, cutoff windows, and batch processing delays. This enables real-time liquidity management and greater operational efficiency.

Cross-border payments

Stablecoins support near-instant international transfers and settlement, enabling businesses to move value globally with improved speed, transparency, and flexibility compared with traditional payment rails.

Consumer payments

Stablecoin-based transactions allow consumers to pay for goods and services using digital dollars that can settle nearly instantaneously. Growing support from payment processors, fintech firms, and commerce platforms is reducing barriers to adoption.

Card network innovation

Visa and Mastercard are exploring and expanding stablecoin-based settlement capabilities to support faster movement of funds across payment ecosystems and reduce reliance on traditional settlement processes.

Crypto-linked debit cards

Products such as the Coinbase Debit Card allow consumers to spend digital assets while converting them to dollars at the point of sale, creating a more seamless bridge between crypto holdings and everyday spending.

Consumer borrowing

Crypto-backed lending allows borrowers to access liquidity without selling digital assets. While still a niche market, these products highlight how alternative lending models can bypass traditional underwriting processes and deliver immediate access to funds.

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The Adoption-and-Regulation Domino Effect

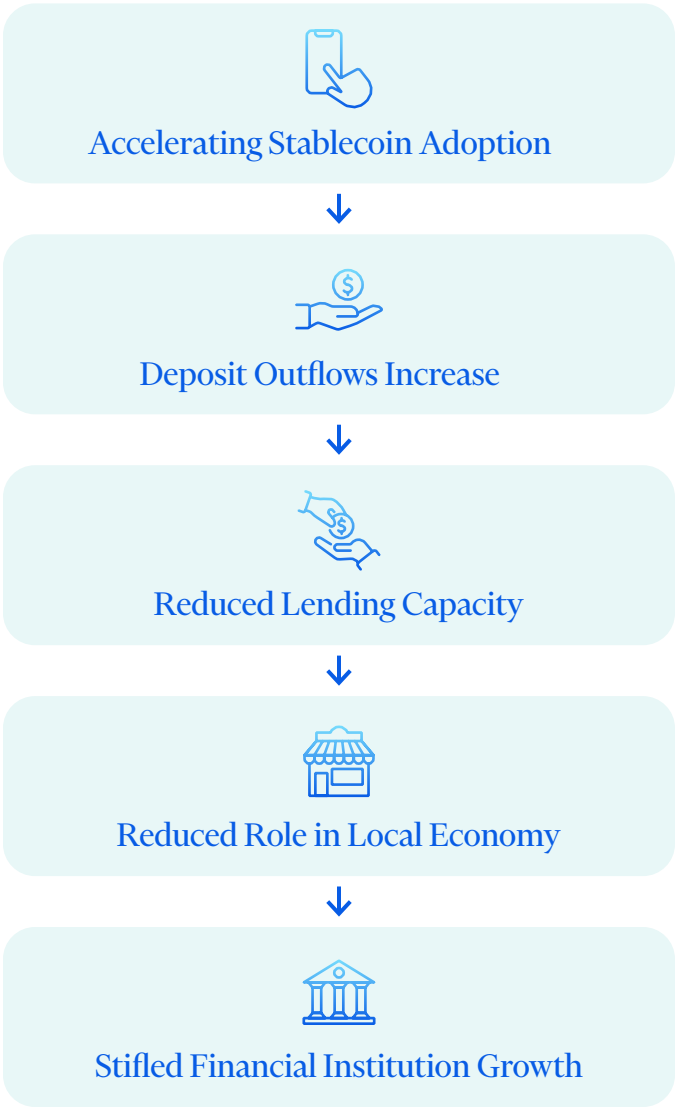
As stablecoin adoption accelerates, your financial institution faces a series of interconnected challenges.

Deposits migrate from traditional accounts into digital asset products, reducing a primary source of low-cost funding. Lower deposit balances can constrain lending capacity, affecting your ability to meet local credit demand and support community growth.

At the same time, regulatory developments and new charters enable fintech and crypto firms to compete more directly for accountholder funds using tokenized and programmable financial products.

Meanwhile, on-chain lending platforms, digital wallets, brokerage applications, and embedded-finance experiences continue to simplify accountholder access to digital assets and stablecoins.

The outcome is a reinforcing cycle: as funds migrate away from traditional deposits, financial institutions lose lending capacity, reducing their role in local credit creation and weakening traditional banking relationships.



regulatory landscape taking shape

FinCEN alongside the OCC, Federal Reserve, FDIC, and NCUA, has issued a joint Notice of Proposed Rulemaking. The proposal details new Customer Identification Program (CIP) requirements for Permitted Payment Stablecoin Issuers (PPSIs), bringing them within the federal Bank Secrecy Act perimeter. Regulators continue to finalize frameworks.

OCC-Proposed Framework

The proposed GENIUS Act framework would create a more standardized regulatory environment for payment stablecoins, establishing requirements around reserve management, liquidity, redemption practices, and consumer protections.[6]

The framework emphasizes fully backed reserves, operational resilience, and clear governance requirements while limiting permissible activities to functions directly associated with stablecoin issuance and management.

FDIC Considerations

Complementary regulatory discussions have focused on how depository institutions engage with stablecoin activities. Key areas of focus include custody structures, reserve management, accountholder disclosures, governance expectations, concentration risk, and consumer protection safeguards.[7]

The FDIC clarified that payment stablecoins themselves are not insured deposits, nor are stablecoin holders eligible for pass-through FDIC insurance coverage.

Enhanced oversight, reporting standards, and executive accountability are expected to play significant roles in future supervisory frameworks.

Regulatory Next Steps

While implementation details continue to evolve, the broader direction appears increasingly clear: stablecoins are moving toward a more formalized regulatory framework that will support greater participation from financial institutions.

Regulation isn't slowing stablecoin adoption. In many respects, it's establishing the guardrails necessary for broader market confidence and long-term growth.

Jack Henry® continues to advocate for regulatory frameworks that promote innovation, clarity, and competitive fairness for financial institutions. As digital money ecosystems evolve, we're committed to helping banks and credit unions remain at the center of their accountholders' financial lives.

Your tokenized money strategy should be use-case driven. Today, the strongest adoption is occurring in treasury services, cross-border B2B payments, foreign exchange, trade finance, and global merchant acquiring. If these are not key focuses for your financial institution, now is the time to focus on infrastructure readiness, monitor regulatory developments, and prepare for future participation rather than pursue immediate deployment.

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prepare for the future of money

Read Deposits, Payments, and Data Under Pressure: Financial Institution Strategies for a Tokenized Money Future or download the 2026 Strategy Benchmark to explore strategies for competing in the next era of banking.

For more information about Jack Henry, visit jackhenry.com.

sources

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