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Regulators Back Tokenised Bank Deposits Over Stablecoins in Push for Financial Stability

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Global financial institutions like JPMorgan Chase & Co are leaning towards tokenised bank deposits over stablecoins as the preferred route to integrate blockchain into mainstream banking, according to recent earnings calls and analysis. This pivot underscores a growing consensus among regulators that maintaining the stability and regulatory safeguards of traditional finance remains critical, even in the era of digital innovation.

Tokenised deposits, digital equivalents of conventional bank deposits operating on blockchain infrastructure, offer several regulatory advantages. Unlike stablecoins, which are privately issued digital assets typically pegged to fiat currencies, tokenised deposits maintain direct access to central bank liquidity, adhere to capital requirements, and are subject to stringent anti-money laundering (AML) standards. Importantly, the non-transferable variant of these instruments—often referred to as deposit tokens—is particularly favoured by policymakers, as they settle at full face value and minimise price fluctuation risks. These function like internal transfers between accounts and settle at full face value, helping eliminate price fluctuations and ensuring consistency across monetary forms.

In contrast, stablecoins, particularly those issued by non-bank entities, can be vulnerable to volatility arising from liquidity mismatches or credit exposure, concerns that have been reinforced by past collapses within the crypto sector. Despite their popularity in decentralised markets due to ease of transfer and high liquidity, most stablecoins remain tethered to traditional financial instruments, such as short-term government bonds, highlighting their reliance on the very systems they aim to disrupt. This tether to the conventional banking system undermines the argument that they offer a true decentralised alternative.

Regulators in the United Kingdom have expressed scepticism towards commercial bank-issued stablecoins that would require holding non-interest-bearing reserves at the central bank, making such initiatives less appealing for banks. These constraints make stablecoin issuance unattractive for most banks, especially in an environment where capital allocation must be efficient and sustainable.

Meanwhile, the United States has passed the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act), which authorises banks and insured institutions to issue payment stablecoins backed 1:1 with reserves. This legislative approach signals a potentially broader role for stablecoins in the U.S. payments landscape, albeit with formal regulatory backing.

JPMorgan, one of the world's largest banks, continues to develop its digital asset infrastructure. Its pilot programme for JPMD, a permissioned deposit token, runs on the Base blockchain platform and targets institutional clients. The bank has also filed a trademark for 'JPMD', signalling its plans to explore programmable finance, settlement use cases and interbank transfers. This dual-track approach, involving both tokenised deposits and

stablecoin experimentation, reflects a pragmatic strategy to harness innovation while remaining compliant with regulatory expectations.

The global shift towards tokenised deposits over stablecoins reflects a broader change in how financial institutions view the future of money and settlement infrastructure. This model enables banks to modernise their infrastructure and accelerate transaction processing, all while allowing regulators to maintain oversight of system-wide financial stability. As central banks and policymakers assess the digital future, the trend towards integrating blockchain technology within established financial frameworks continues to gain momentum. This trend is set to reshape how payments, settlements, and savings are handled in the years ahead, with tokenised banking likely to play a central role.