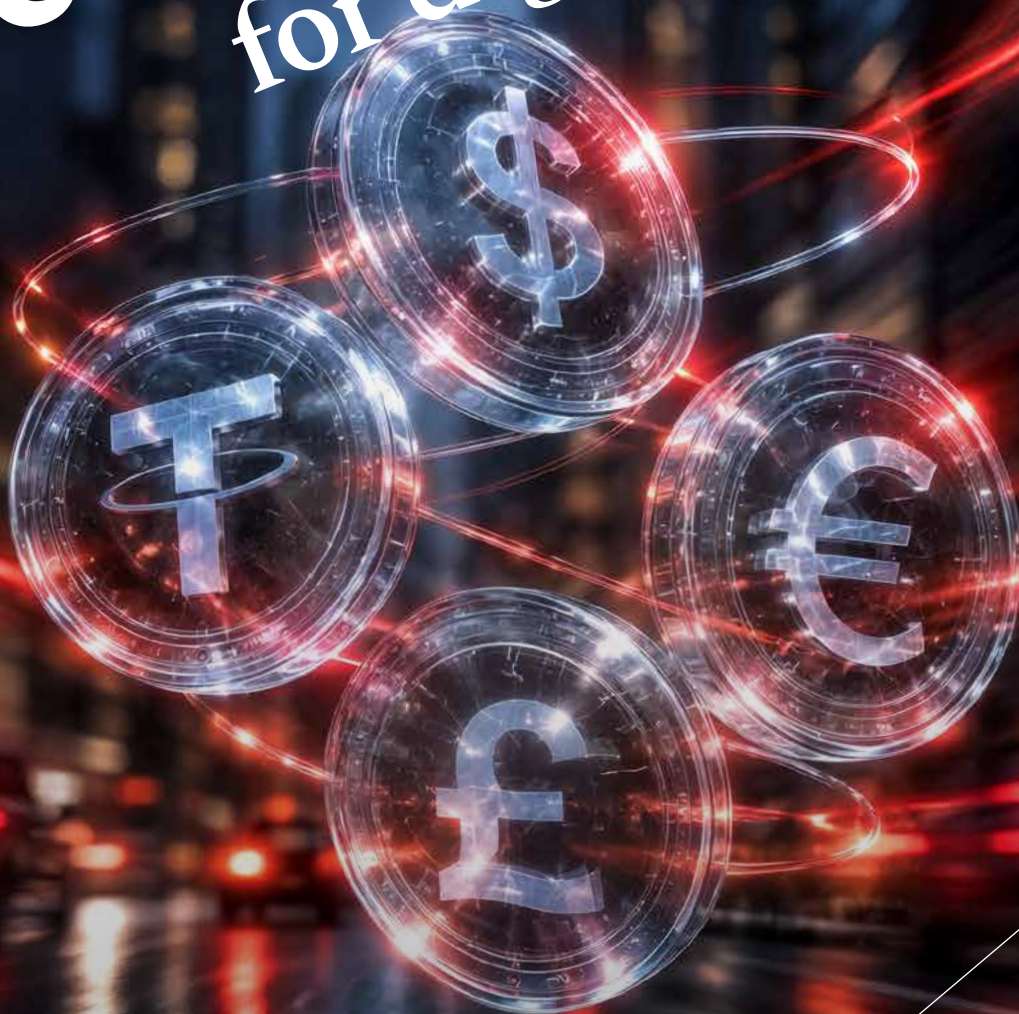


Are banks actually ready for digital money?



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Foreword

Let's talk about oat milk for a moment.

For a long time, oat milk was dismissed as an alternative to dairy. Why do we need oats when we have cows? It's not even real milk. It tastes different. It'll never catch on.

Then a few niche suppliers started to gain traction. Oatly began to grow at an astounding rate. So did Califia Farms in the US. Before long, the big players started to pay attention: Danone leaned in, growing Silk in the US and Alpro across Europe and the UK. And then supermarkets got involved. And coffee shops. Now, oat milk is offered as a staple alternative all over the world.

It didn't replace dairy milk. Or cream. You can still have a skinny latte or a full-fat cappuccino. But oat milk is there for the days when you don't fancy dairy.

Now, digital money.

Not long ago, digital money was written off as a niche experiment. Interesting to enthusiasts, irrelevant to mainstream finance. That is no longer the case.

Tether and Circle, the world's biggest stablecoins, are worth around \$184bn and \$74bn respectively.

A 140-strong consortium – including Visa, Mastercard, BlackRock, and Stripe – has launched Open USD, a stablecoin, to take them on.

JPMorgan, Citi, Bank of America, and Wells Fargo are building a bank-led tokenized-deposit network through The Clearing House.

Western Union and MoneyGram both rolled out dollar tokens across their remittance networks.

And in Europe, the European Central Bank is moving central bank money onto distributed ledger technology, and a retail digital euro pilot is possible in 2027, pending EU legislation.

Three layers of digital money – stablecoins, tokenized deposits, and central bank money – each with live or imminent infrastructure, and each with its own rulebook. Every bank now must work with all three.

But how?

For a start, there are major commercial constraints. First, the balance sheet: stablecoins can pull money out of the bank entirely, as customer deposits move to wallet providers, taking a source of cheap, reliable funding with them.

Then there are cross-border payments: known for cost, complexity and time, and in need of fixing. Stablecoins might be the remedy, and banks that aren't exploring this now risk their competitors getting there first.

And finally, income: fees from remittances or FX margin won't disappear, they'll simply be collected by whoever owns custody, issuance and redemption instead.

Being ready for digital money doesn't mean rebuilding your infrastructure – it's an extension of what already exists. But how does it fit?

We've spent 24 years watching change like this arrive at banks, having worked on more than 300 projects with tier-one institutions across that time.

We're now helping our clients make sense of digital money in the same way. If that's useful to you, get in touch.



Santhosh Kumar

Senior Payments SME

Introduction

Stablecoins, tokenized deposits and Central Bank Digital Currencies (CBDCs) often get lumped together under the 'digital money' banner, but each is built and backed very differently.



Stablecoins: A digital token designed to hold a steady value, pegged one-to-one against a country's fiat currency.



Tokenized deposit: Like a regular bank deposit but represented digitally. It moves faster within banking infrastructure, and the money never leaves the banking system. Not to be confused with "deposit tokens" – which are funds that stay on a bank's balance sheet and can move to a holder at another institution.



CBDC: Digital money issued directly by a central bank. That means it's got the same standing as physical cash. Most CBDC projects (like the digital euro) are still in pilots rather than in everyday use.

You need only look at the numbers to understand the scale. 52% of the top [50 US banks](#) now openly talk about tokenized deposits (up from 8% a year ago). JP Morgan's blockchain platform is moving [\\$7bn a day](#) in institutional payments. On the public side, stablecoins saw \$8.8 trillion¹ in real (non-bot, non-exchange-shuffle) activity alone in the first half of 2026.

Digital money looks set to become part of the mainstream – what's not yet clear is how ready the industry is for its arrival.

Who backs each type of digital asset will impact your bank. It will change the nature and type of work needed to integrate them into your systems. Your payment hub will be impacted. How your customers pay will change. You will need to prepare.

To understand the state of play, RedCompass Labs surveyed 300 senior payments professionals across six markets to find out if the industry is ready, where the gaps sit, and if anything is holding their progress back.

We wanted to know: what are banks building? What does each layer mean for your payment hub? What about the deposit base?

The following report offers a snapshot of where the industry stands today. So you can see where your bank fits and what's needed to be ready for the digital money era.

¹Source: Adoption of Tokenised Money. Part 1: A Market Outlook.
Euro Banking Association, Feb 2026

How digital money works

If you're already familiar with digital money, feel free to skip this section.

But if you're unsure, or just need a refresher, read on.

To understand how digital money works, it helps to start with how we pay today. So let's explore a typical card transaction.

Imagine, tomorrow morning, you go to a coffee shop and order a coffee. It costs \$8. There's a merchant (the coffee shop) and a customer (you).

You tap your card on the point-of-sale terminal. The money is debited from your account almost instantly.

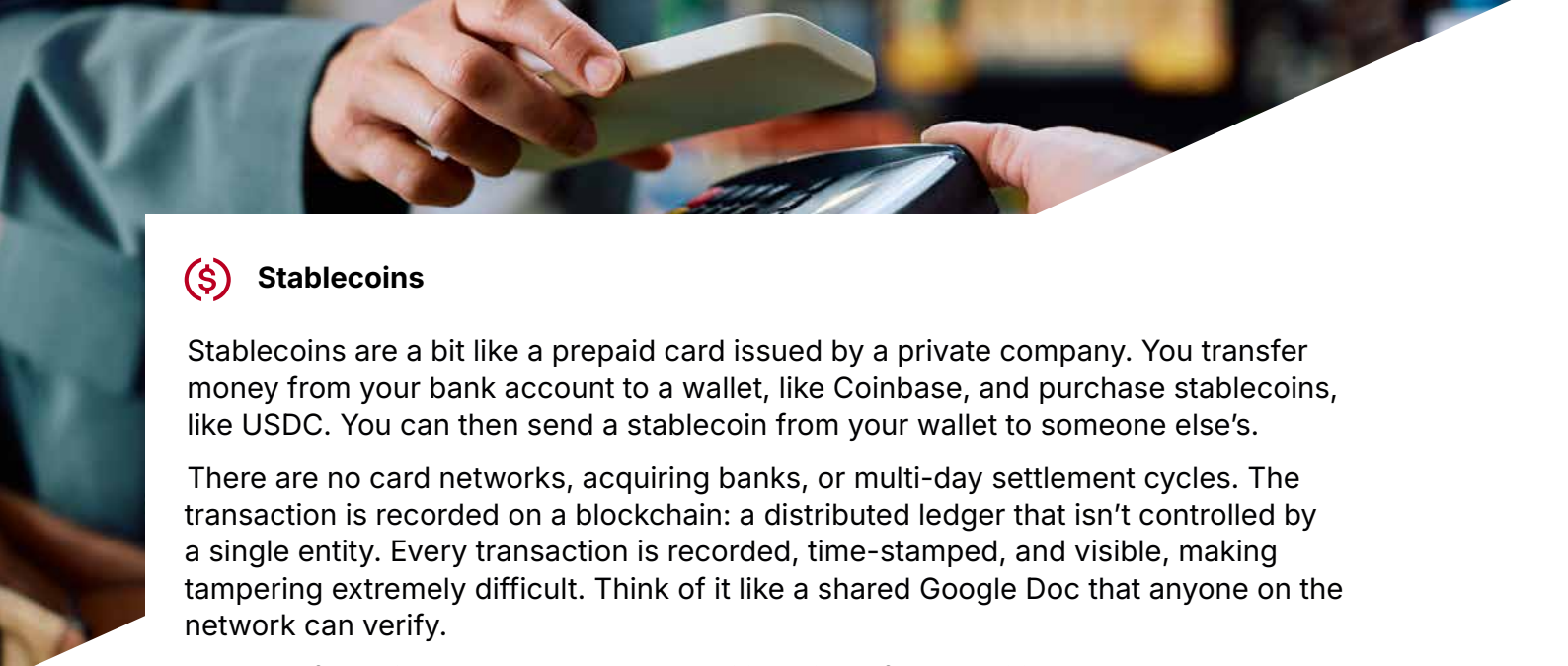
But – and this is the important part – the coffee shop does not receive the money straight away. It can take two to three days (sometimes longer, depending on their agreement) for the funds to arrive. And they won't receive the full \$8.

Behind the scenes, the point-of-sale system is provided by a payment gateway (such as Fiserv or Adyen). That system connects to a card network (like Visa or Mastercard), which routes the transaction to the issuing bank (your bank), then to the acquiring bank, and finally to the merchant's bank.

All of this takes time. And it costs money. Each party takes a small fee for providing the terminal, authorizing the transaction, managing the network, handling reconciliation, issuing statements, and providing banking services. The issuing bank – the bank that issued your card – also takes a cut.

So the coffee shop sells an \$8 coffee, but ends the day with \$7.90 because the customer paid by card. Ten cents doesn't sound like much – but for small businesses with thin margins, it adds up quickly. This is where stablecoins come in.





Stablecoins

Stablecoins are a bit like a prepaid card issued by a private company. You transfer money from your bank account to a wallet, like Coinbase, and purchase stablecoins, like USDC. You can then send a stablecoin from your wallet to someone else's.

There are no card networks, acquiring banks, or multi-day settlement cycles. The transaction is recorded on a blockchain: a distributed ledger that isn't controlled by a single entity. Every transaction is recorded, time-stamped, and visible, making tampering extremely difficult. Think of it like a shared Google Doc that anyone on the network can verify.

Instead of passing through the spaghetti junction of the traditional payments system, the transaction moves directly across the blockchain and settles in seconds (typically under a minute, depending on the network).

No two- or three-day delay. Lower fees. Near-instant settlement.

So, if you were buying a coffee, you'd step up to the counter, see stablecoins as an option to pay alongside cash, debit and credit cards (maybe even Pay by Bank). You'd make the payment from your Coinbase wallet to the merchant's Coinbase wallet. And the payment is complete. As a customer, it's no different to using your card. But the merchant gets more money.

The challenge is that it takes cash out of the banking system and into the wallet provider. This is where tokenized deposits come in.

Tokenized deposits

Tokenized deposits are like an everyday bank balance but programmable. They're essentially the bank's answer to stablecoins. It's a way for them to get the benefits of digital money and still keep funds with the bank. So, how do they work?

Let's go back to that coffee shop.

This time, instead of paying with a card or a stablecoin, you pay with a tokenized deposit. Your bank has issued a digital token that represents the exact amount sitting in your account – \$8 of it, tied one-to-one to the money already on their balance sheet.

You tap to pay. Instead of routing through a card network, acquiring bank, and settlement cycle, the token moves directly from your bank ledger to the coffee shop's. Because, crucially, they bank with the same institution, or with banks connected through the same tokenized deposit network (like the one JPMorgan, Citi, Bank of America and Wells Fargo are building through [The Clearing House](#)).

The transaction settles in seconds. The coffee shop gets the full \$8, not \$7.90. And unlike the stablecoin example, the money never actually leaves the banking system. It's still a deposit, just represented and moved digitally.

That's the key difference: stablecoins pull deposits out of the banking system and into a wallet provider. Tokenized deposits keep the money exactly where it's always been – inside a bank – while giving it stablecoin-like speed.



Central Bank Digital Currencies (CBDCs)

Then we have CBDCs. You can think of these as digital central bank money. The central bank itself issues the underlying token, so the liability sits on its balance sheet, not on a private company's or a commercial bank's.

Okay, one final trip to the coffee shop.

With cash, when you hand over a \$10 bill, that note is a liability on the Federal Reserve's balance sheet. There is no intermediary, no bank account, and nothing standing between you and the central bank that issued it.

Most real-world CBDC designs don't work quite that way. They use a two-tier model: the central bank issues the digital token and carries the liability, but banks and licensed payment providers sit in the middle, handling your wallet, verifying your identity, and moving the token between accounts. Much like they do with deposits today.

So this time, when you pay for your coffee, you tap your phone. Your wallet app – run by your bank or a licensed PSP – sends an instruction to move the token. Behind the scenes, the token itself is debited from your wallet and credited to the coffee shop's wallet, most likely through the central bank's own settlement infrastructure. The PSP never takes ownership of the token in between. It's more like a courier than a custodian. What lands in the coffee shop's wallet is the same central bank liability that left yours. Not a claim on your bank, and not a claim on your PSP.

That still sets it apart from a stablecoin (a private issuer's IOU, backed by reserves it holds) or a tokenized deposit (a commercial bank's own liability). The token carries central-bank status even if a PSP hands it to you. You're not exposed to that PSP's balance sheet the way you are with a bank deposit.

[The Digital Euro](#) is the clearest live example. The ECB has selected 36 payment service providers across the euro area to build and test a "beta" version – a digital euro without legal tender status – ahead of a 12-month pilot beginning in the second half of 2027. If the underlying legislation is adopted on schedule, the Eurosystem aims to be technically ready for a first full issuance around 2029.



01

Stablecoins are picking up pace



Stablecoin momentum is building

Until recently, the stablecoin market was mostly built outside traditional banking.

That's changing: [21 major banks](#) – including Bank of America, Citi, Goldman Sachs, and UBS – have announced a joint venture to launch their own USD-backed stablecoin. They're targeting a market launch in the first half of 2027. The group plans to follow the dollar token with a euro stablecoin.

In other words, banks are moving on stablecoins. And our research backs this up.

Nearly three-quarters (72%) are planning, building, piloting, or have already put into production their own payment stablecoin. Almost as many (69%) are doing the same for third-party stablecoins such as USDC, USDT, or PYUSD.

But there's a big difference between experimenting and actively using them.

Only around one in ten respondents currently has stablecoin capabilities in production. Most of the market is still somewhere between evaluating the opportunity and putting the technology into practice.

A proof of concept can show that it's possible to issue or transfer a token. It doesn't prove that a bank can connect it to customer accounts and core ledgers, manage liquidity and compliance, reconcile transactions, and handle exceptions at scale.

Plumbing will be key.

Are you using or planning to use the following forms of digital money?

	Third-party payment stablecoin (USDC, USDT, PYUSD)	Own or consortium tokenised deposit	Own-issued payment stablecoin	Wholesale CBDC	Tokenised MMF / other tokenised asset
No plans	4%	4%	4%	4%	5%
Evaluating	27%	26%	23%	28%	27%
Planning / building	36%	34%	37%	34%	36%
Piloting	22%	26%	25%	25%	24%
Live in production	11%	9%	10%	9%	9%

Banks are keeping their options open

Banks are exploring several forms of digital money at almost exactly the same pace:

- Own-issued stablecoins: 72%
- Tokenized deposits: 70%
- Third-party stablecoins: 69%
- Tokenized money-market funds and assets: 69%
- Wholesale central-bank digital currency: 68%

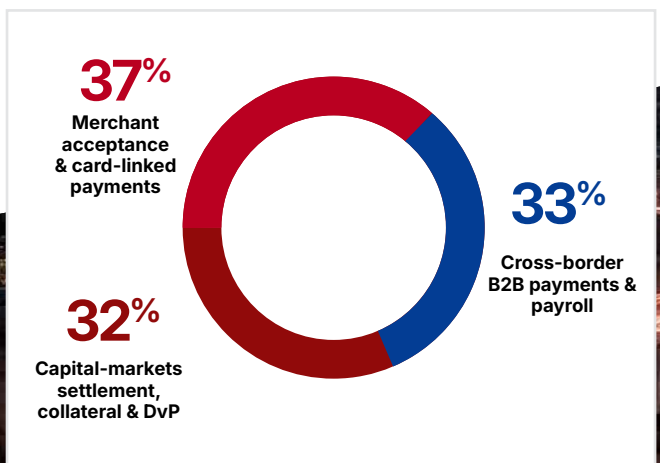
There is no clear winner. Instead, banks seem to be keeping their options while regulation, customer demand, and infrastructure develop.

That makes sense. Each provides something different. Stablecoins offer scale. Tokenized deposits keep cash within the bank. And CBDCs are the safest play for liquidity.

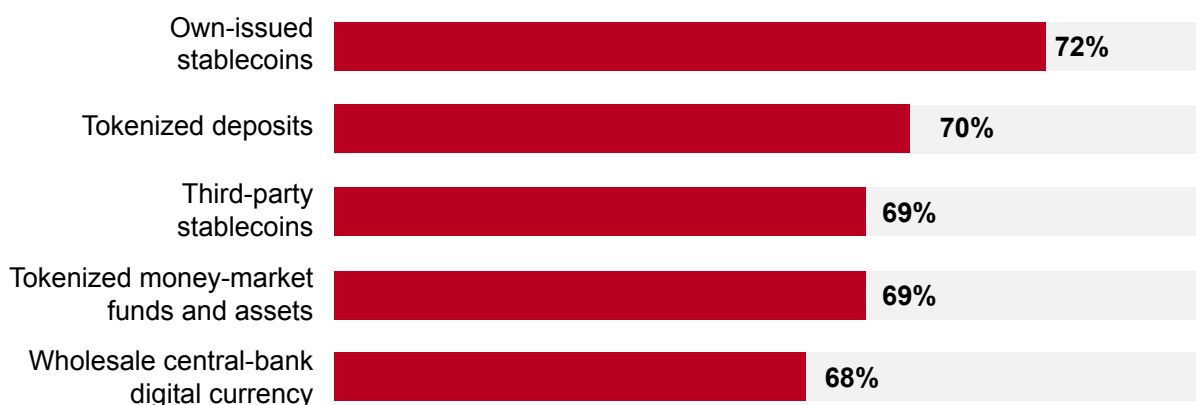
They may compete. But they are likely to coexist, complementing one another in a multi-rail world. Each form of digital money will find its own use.

We asked banks what they're betting on. The most likely use for digital money is merchant acceptance and card-linked payments, chosen by nearly four in ten (37%) respondents. Capital-markets settlement, collateral and delivery versus payment follow at a third (33%), while a similar number (32%) are pursuing cross-border B2B supplier payments and payroll.

Instead of betting on one form of digital money or one killer use case, banks are preparing for several.



% of banks planning, building or piloting digital assets



Cross-border gets special attention

When it comes to stablecoins specifically, however, one use stands out.

Nearly a third (31%) expect cross-border settlement to be their institution's first point of interaction with stablecoins. Treasury and liquidity management follows at over a quarter (27%), with client on- and off-ramps close behind (23%).

Again, this makes sense. Cross border payments are costly, complex, and time-consuming. Stablecoins can potentially help.

Let's say you're in Brazil and want to buy olive oil from a specialist supplier in Italy. To move money between banks internationally today, those banks need a relationship with one another. If they don't have one directly, the payment is routed through other banks that do. This chain of intermediaries is known as correspondent banking.

The more intermediaries involved, the more checks, fees, and delays are introduced. Payments can take three to five days to arrive (sometimes longer).

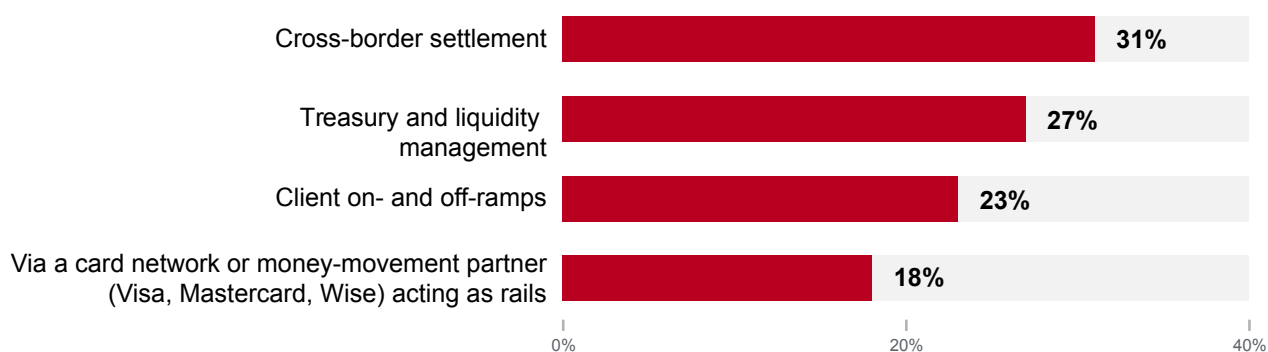
With stablecoins, you can bypass much of this complexity. If you have a digital wallet holding stablecoins, and the Italian supplier has a wallet that accepts them, you simply press send. The transaction is recorded on the blockchain and settles in seconds.

No Swift messages. No long settlement chains. Far fewer intermediaries, and significantly lower fees.

This also unlocks liquidity currently trapped in nostro/vostro accounts. Banks no longer need to pre-fund accounts in multiple currencies across multiple correspondents "just in case." Fewer hops means, in theory, less cash sitting idle.

Cross-border settlement is a natural testing ground for stablecoins. But real-time on-chain settlement doesn't remove all the friction. If a recipient wants to settle in fiat rather than tokens, that requires a conversion. And that can become a bottleneck. Tokenized money is only as quick as its off-ramp rail or FX conversion.

Where banks expect to first encounter stablecoins



Faster isn't always cheaper

There is a catch. Moving a token quickly from one wallet to another is only one part of a cross-border payment.

Banks still need to manage foreign exchange, liquidity, sanctions screening, fraud controls, and redemption. Money also has to move efficiently into and out of the stablecoin ecosystem at either end of the transaction.

[Banca d'Italia](#) researchers tested this directly, running 200 USDC transfers across ten corridors connecting Italy with Argentina, Brazil, South Africa, the UAE, and Japan.

They found it wasn't reliably cheaper than sending money through traditional remittance channels. Total costs ranged from 0.3% to almost 9%, while the on-chain transfer itself accounted for only a small share. Much of the cost and delay came from domestic payment infrastructure and the on- and off-ramps.

"Stablecoins aren't as cheap as everyone assumes" makes for a punchy headline. And it holds true for this specific use case. But it's a narrow one.

The bigger opportunity sits elsewhere: B2B treasury and settlement flows, large institutional transfers, corridors with weak correspondent banking access, and cases where the sender or receiver controls both the on- and off-ramp rather than routing through public exchanges.

Stablecoins struggle where instant rails are already strong, but are a better option where settlement is slow and FX is expensive – just look at Western Union and MoneyGram's own token rollouts. None of that was in scope of the Banca d'Italia study.

The conclusion shouldn't be that stablecoins "win" and traditional rails "lose." It depends on the corridor.

The more realistic picture is coexistence. Stablecoins solve specific use cases well, while Swift, correspondent banking, and local instant-payment rails will continue to stay relevant. What matters is which rail best fits your flow.

What it does highlight is that a payment is only as efficient as its slowest, most expensive component. Making the blockchain leg instant does little if funding, FX, compliance, or redemption remain slow and costly.

02

Stablecoins will put banks' infrastructure to the test



Will banks change their payment hubs?

For banks, moving stablecoins from pilot to production is a challenge.

A stablecoin payment still needs to connect with customer accounts, payment hubs, core ledgers, liquidity processes, compliance controls, and existing payment and settlement systems.

For many, this means big changes. Over half (57%) expect to build new infrastructure or upgrade their existing systems to support stablecoin or tokenized settlement. A further fifth (21%) expect to connect through a partner or network, or believe they can treat digital money as another settlement channel without making structural changes (21%). The rest (1%) do not have an expected approach. That's a bold approach given what actually sits behind a live stablecoin flow.

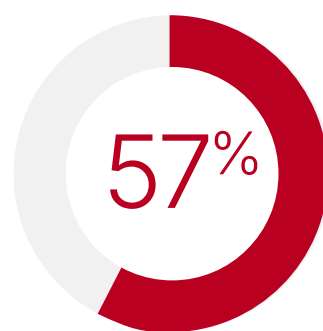
Among those who expect to make changes to their infrastructure, or connect through a partner network, six in ten (61%) expect their payment hub to be affected. A similar number (60%) foresee changes to their core banking system or ledger.

The payment hub will sit at the center. It will need to connect the stablecoin ecosystem, tokenized deposits, and existing rails; route transactions; coordinate settlement; and maintain a consistent view of liquidity and controls.

That means changes across:

- Ledger integration
- Liquidity management and prefunding
- On-chain and off-chain reconciliation
- Wallet-level compliance controls
- Operating hours and exception management
- Domestic and cross-border payment connectivity
- Interoperability with account-based and ISO 20022 rails

The challenge is making these different forms of money work together without creating another layer of fragmented systems and controls.



of banks expect to build new infrastructure or upgrade their existing systems to support stablecoin or tokenized settlement

24/7 money meets office-hour banking

Stablecoin networks operate around the clock. Central bank settlement systems, generally, do not.

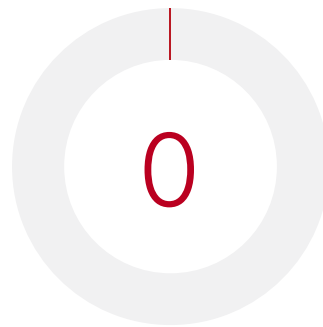
A stablecoin transfer between two wallets settles on-chain at any hour, without touching a central bank. But minting and redeeming those tokens calls for off-ramp activity, converting fiat into tokens and vice versa. Even though banks are dealing with stablecoins, that on-ramp/off-ramp activity still follows traditional payment rails, like RTGS (Real-Time Gross Settlement) or instant payments. So the existing frictions still impact the transaction.

That means banks may need to prefund positions, defer settlement, or rely on a private settlement asset in the meantime. Each option creates different liquidity, credit, and operational risks, and slows everything down.

So, central banks are opening up.

- The Bank of England has confirmed that CHAPS will open at 01:30 rather than 06:00 from September 2027, taking it to 16.5 hours a day, as a first step toward near 24/7 settlement (though taking part is optional).
- The Federal Reserve will expand Fedwire and the National Settlement Service to Sundays and weekday holidays, but not before 2028, and Saturdays remain closed.
- The Eurosystem has set out a phased roadmap toward longer T2 operating hours.

But extending one system does not solve the whole problem. Cross-border payments still depend on operating windows overlapping between currencies. Banks also need their own treasury, compliance, fraud monitoring, and exception management



bankers say they completely understand the costs of running digital money

teams and systems to operate for longer. That's a lot of extra operating cost.

Solving 24/7 liquidity is close to the whole reason stablecoins and tokenized deposits exist.

Not one of the 300 bankers we surveyed said they completely understand the costs of running digital-money rails. But there's no consensus on which will bite the hardest. Globally, 24/7 liquidity and pre-funding across timezones was only the fourth most selected option (15%), 9 percentage points behind the top choice, wallet-level AML screening (24%).

This makes sense. On-chain screening is an unsolved problem for most banks. But liquidity sitting fourth is harder to explain.

The closer you are to the problem, though, the more likely you are to see it. In the US, 24/7 liquidity is the top-ranked hidden cost (25%), ahead of reserve management (20%). Among Heads and Directors of Payments Products, it reaches 35%, almost double their nearest answer.



The rules are clear. Are the controls?

Banks are confident they understand stablecoin regulation, but are they ready for it?

Most (89%) say they are confident in their interpretation of the rules in their region. Over a fifth (22%) are “very confident.”

That’s not surprising. The binding framework is regulation, and regulation is what drives adoption in the EU and UK.

MiCA (EU) and the GENIUS Act (US), arriving from 2023 to 2025, are what turned stablecoins from a crypto story into a mainstream topic of conversation. There is now a clear difference between the payment stablecoin and the crypto stablecoin. Banks are confident because the rules finally exist. The controls to operate within them are newer still.

Strikingly, only 12% say their wallet-level AML, KYC, and sanctions controls are fully ready to support stablecoin payments, with a majority (59%) describing their banks as “mostly ready.”

But what does “mostly ready” mean in this context?

In sanctions and financial crime screening, partial coverage is not partial risk. A control that works for most wallets is a control with gaps, and gaps are the whole problem. The 59% describing themselves as “mostly ready” may be underestimating how much exposure sits in that remaining share.

Understanding the rules is one thing. Applying them to wallets and token networks is another.

Banks may need to identify the parties behind wallets, screen addresses and transaction histories, decide when to block or freeze assets, and connect those decisions to existing customer and financial-crime systems.

The regulatory framework may be taking shape. But the controls required to operate within it still have some way to go.

Regulatory confidence is ahead of operational readiness

89% are confident in their interpretation
of the binding regulatory framework

22% are very confident

But only

12%

say their wallet-level AML, KYC,
and sanctions controls are fully ready



Barriers to adoption

Technology is one thing banks also need confidence in digital assets themselves.

When asked about the barriers to adoption, regulatory uncertainty tops the list (35%), closely followed by integration complexity (32%) and reserve and liquidity concerns (31%).

The top three barriers span both external rules and internal execution, which suggests there's no quick fix. Even if regulations were firmed up tomorrow, there are still integration and liquidity management challenges that need to be addressed.

"No executive sponsorship" was the least selected answer (15%). Perhaps leadership is not a concern. The concerns sit with banks' own systems and with clarity from regulators.

The barriers to digital asset adoption

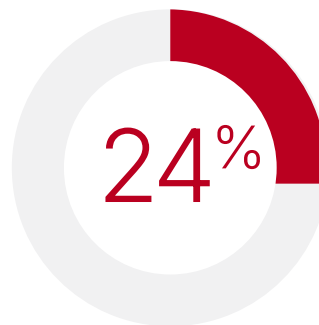
35%	Regulatory uncertainty
32%	Integration complexity
31%	Reserve and liquidity concerns
27%	Internal skills gaps
25%	Unclear client demand
21%	Unclear return on investment
15%	No executive sponsorship



Are banks underestimating the costs?

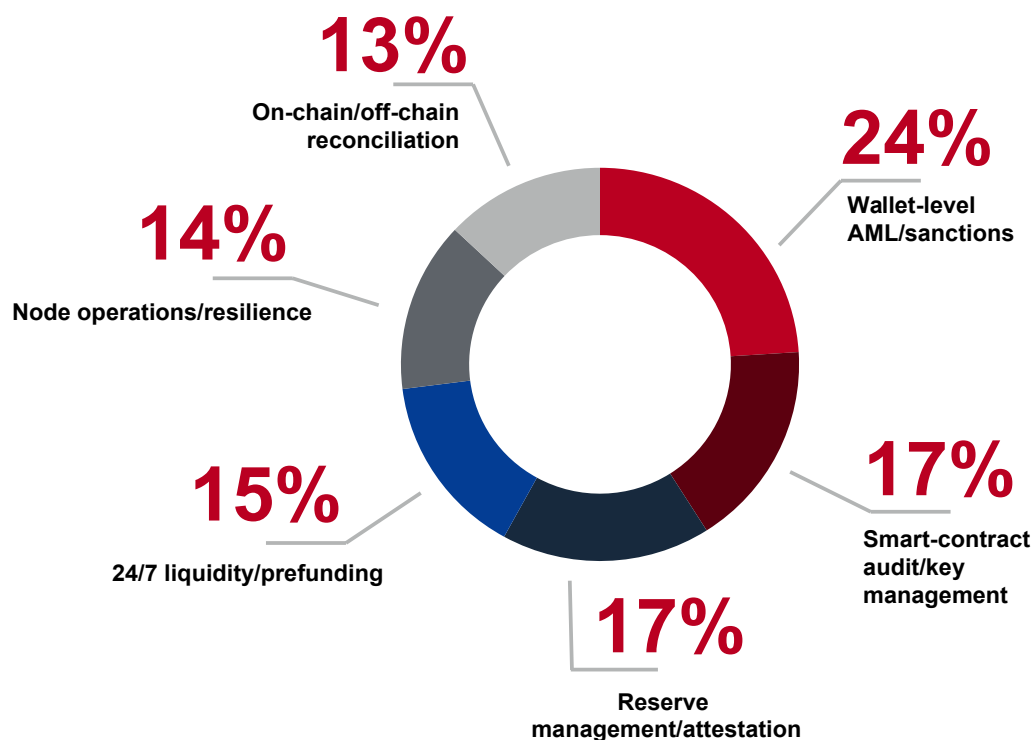
Wallet-level AML and sanctions screening is the most selected underestimated operating cost (24%).

Smart-contract audit/key management (17%) and reserve management/attestation (17%) each follow. Slightly fewer (15%) point to continuous liquidity and prefunding across time zones, followed by node operations and resilience (14%) and on-chain and off-chain reconciliation (13%).



of banks globally see wallet-level AML and sanctions screening as the most underestimated operating cost

The hidden costs to stablecoin adoption



Banks' biggest concerns

As digital money moves from experiment to real-world use, it's being built on different technologies: Corda, Quorum, private ledgers, public blockchains. None of them naturally talks to the others. Left alone, we end up with a scattering of disconnected "digital islands."

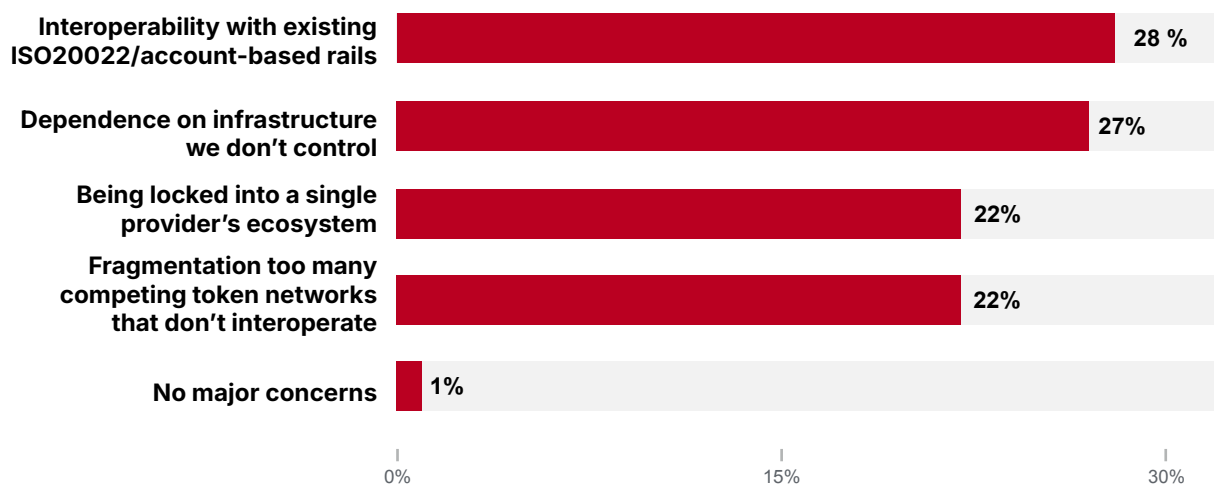
Interoperability is, understandably, top of mind. More than a quarter (28%) say interoperability with existing ISO 20022 and account-based payment rails is their leading infrastructure concern. Just behind is dependence on infrastructure that the banks do not control (27%).

Most (85%) say their on-chain instructions carry or map to ISO 20022 data. Established payment standards will remain important even as new settlement rails emerge. [Swift's](#) own shared blockchain ledger, piloted with 17 major banks and built to carry ISO 20022 data across blockchain networks, is a clear signal of where the industry is heading.

A fifth (22%) of all respondents worry about being locked into a single provider's ecosystem. Fragmentation between competing token networks scores just as high (22%).

How this plays out is, at this stage, anyone's guess.

Biggest concern about digital money infrastructure



03

Where does the money go?



Banks are ambitious on payment flows

Asked how much of their existing payment flow would shift to digital-asset rails over the next three to five years, nearly three-quarters (72%) of respondents said between 6% and 10%. Taking the mean, that's roughly 8% of payment flows.

Read one way, that is a striking figure. A tenth of a large bank's payment flow is a material share of the business moving onto infrastructure that most institutions do not yet operate. That could be trillions globally.

Read another way, it's ambitious. Based on experience, we expected something closer to 1-5%. ISO 20022 took the industry five years to deliver (and counting), and that was just a message standard, not a new settlement rail.

Shifting 8% of payment flow onto new rails within three to five years assumes a faster pace of adoption than similar infrastructure changes have historically managed.

But payment flows are not all made equal. A relatively small number of high-value corporate, treasury, or cross-border transactions moving away matters more than a much larger volume of low-value retail payments staying put.

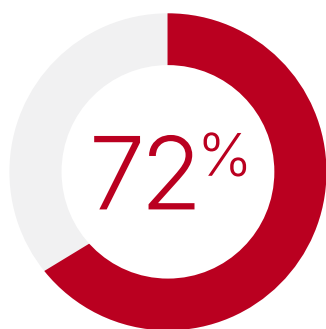
Payments anchor broad relationships. A corporate payment involves deposits, foreign exchange, treasury management, working capital, and lending. Losing the flow costs the bank visibility into the client's activity and opens the door for another provider to expand.

How banks participate will decide who absorbs it. A bank providing the coin, the liquidity, the custody, or the connection to the new rail keeps much of the relationship and the revenue. A bank that cannot support the transaction watches it move elsewhere.

// Banks expect one payment in twelve to move. Our experts think that is optimistic. //

How much payment activity will actually move?

Distribution of expected payment flow migrating to digital-asset rails over three to five years.



think 6%-10% of flows will move to digital rails

8%

the mean average of flows expected to migrate

Will banks lose deposits?

Payment volumes are only one slice of the cake. Four in ten (40%) expect non-bank digital money to result in net deposit outflows. That's money leaving the bank.

But only 5% expect significant outflows – the kind that would represent a material funding risk. For now, most respondents expect any migration to be minor.

Much will depend on how stablecoins are used. If customers hold them only briefly to complete a payment, the effect on deposits could be small. But if stablecoin balances are held for longer, as a store of liquidity or working capital, the impact could be much bigger.

Where the money comes from and goes also matters. Cash used to acquire a non-bank stablecoin could stay within the wider financial system, through bank deposits, government securities, or central-bank accounts. But it will not necessarily return to the bank that originally held the customer's balance.

Stablecoins could therefore redistribute money between institutions, even where the funds remain within the wider financial system.

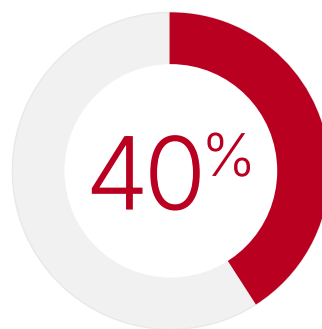
And there is no clear consensus on what banks should do if deposits begin to migrate.

Half of all respondents (50%) would likely keep the product and/or deposit in-house by issuing their own tokenized deposit or stablecoin. Around a quarter (24%) say they would accept some attrition without making it a priority.

Most of the remaining respondents (26%) would instead compete on rate or product rather than tokenize, defending deposits through pricing and proposition rather than resisting or accommodating the shift.



of banks expect those outflows to be significant enough to create material funding risk



of banks expect non-bank digital money to cause net deposit outflows

UK regulators watch funding risk

The UK's emerging stablecoin regime throws up some interesting questions.

Under the Bank of England's June 2026 draft framework, a systemic stablecoin issuer running at full scale can hold up to 70% of its backing assets in short-dated UK government debt, which pays interest, up from 60% in the Bank's earlier proposal.

The remaining 30% has to sit at the Bank of England, where it earns nothing. On top of that, each systemic stablecoin faces a temporary £40 billion cap on how much it can issue while the market finds its feet, replacing an earlier proposal that would have capped individual holdings instead.

It makes sense. Keep the money liquid so

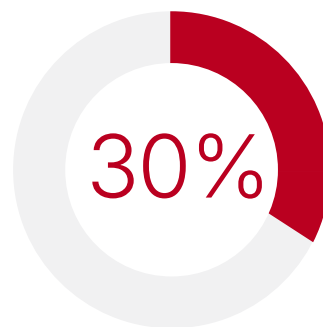
holders can always redeem. But keeping nearly a third of your reserves somewhere that pays no return makes it much harder to run a sterling stablecoin at a profit.

And growing the business brings its own problems. If you cross the line from a non-systemic issuer to systemic, the rules get much tougher. Everything from what you hold and how you protect it, to how fast you repay holders, will be far more scrutinized.

Clear rules are worth having. But they don't solve the hard part: building the infrastructure, funding the liquidity, and keeping control of it all once you're operating at scale.

£40bn

**temporary issuance
guardrail for each
systemic stablecoin**



of reserves must be held at the
Bank of England, earning no
interest

Doing nothing has a price

Sitting this out isn't a safe option. Every single payments leader we surveyed said banks that don't offer stablecoin or tokenized deposit support within the next three years will feel it commercially. Not one selected "little or no commercial impact" or said it was "too early to judge".

The most likely negative impacts for banks not supporting digital money are:

- Higher costs from maintaining parallel legacy and digital systems: 26%
- Deposit outflows to digital-money alternatives: 21%
- Dependence on third-party infrastructure providers: 18%

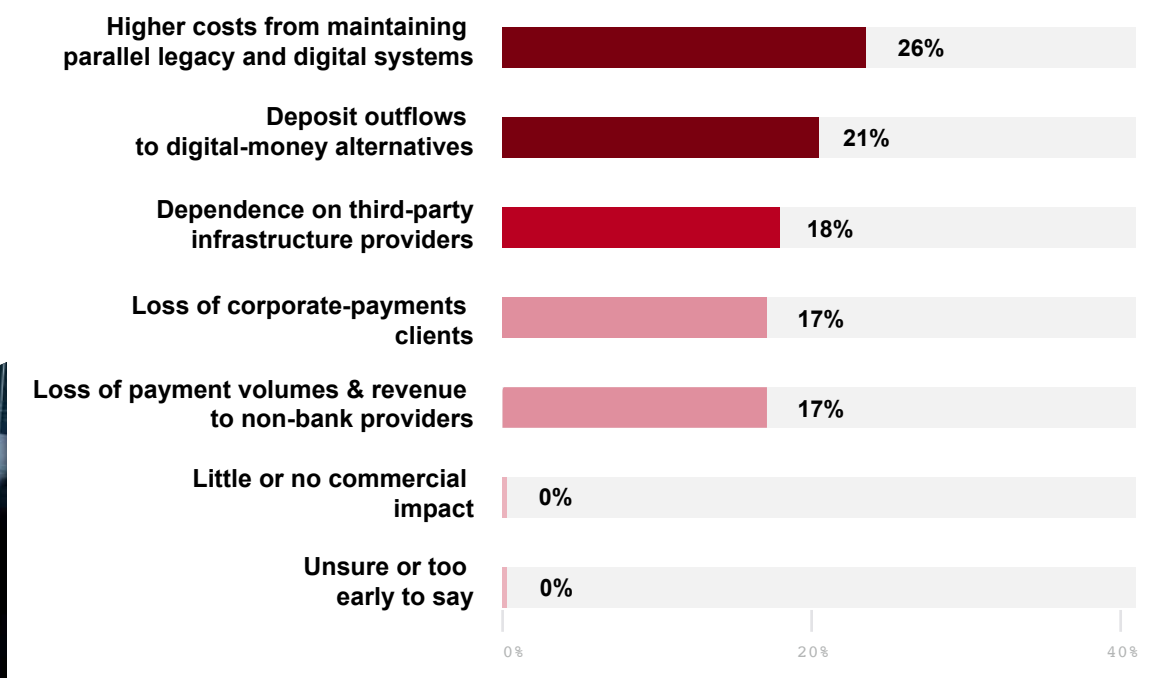
- Loss of corporate-payments clients to more digitally capable banks: 17%

- Retaining clients but losing payment volumes and revenue to non-bank providers: 17%

Losing customers outright is only part of the risk.

The bigger risk may be waiting too long. Delay, and you could find yourself supporting digital money services while still carrying all the cost and complexity of legacy infrastructure. Instead of replacing old systems, you end up running both.

The most likely negative impacts for banks not supporting digital money are:



04

Stablecoins will not replace payment rails





The future is multi-rail

Stablecoins are unlikely to become the only way money moves.

The more likely outcome is a multi-rail market in which stablecoins, tokenized deposits, CBDCs, and established payment rails operate alongside one another.

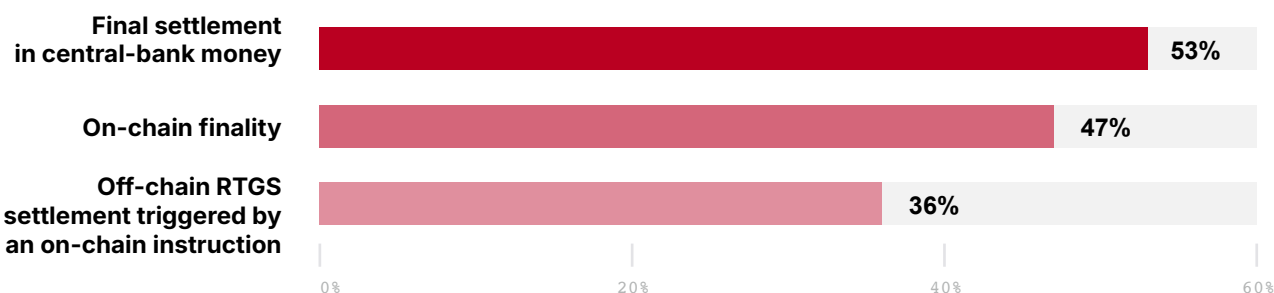
When asked where final settlement occurs, respondents could select multiple options, and no single settlement model dominates.

More than half (53%) expect final settlement to occur in central-bank money. Almost as many (47%) expect on-chain finality. Over a third (36%) expect an on-chain instruction to trigger settlement through an off-chain RTGS system.

The three settlement mechanics work differently. With central-bank money, the instruction can run on new rails, but final settlement still happens directly at the central bank. With on-chain finality, settlement happens during the token transfer itself, with no extra step. And with an on-chain instruction triggering off-chain RTGS, blockchain initiates the payment, but the bank's existing RTGS system still moves the money.

The likely outcome is banks using a mix of all three, choosing the right rail for the right payment.

Banks expect a multi-rail market

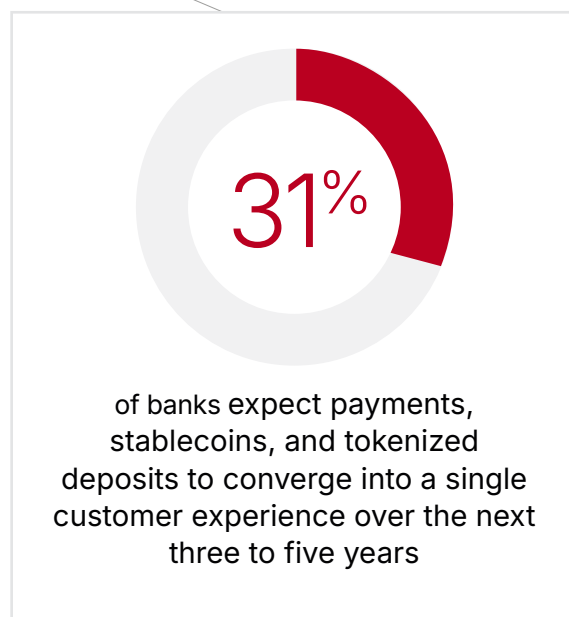


One customer experience

Almost a third of respondents (31%) expect payments, stablecoins, and tokenized deposits to converge into a single customer experience over the next three to five years. Everyone else is split: a quarter (25%) think they'll compete until one wins, just under a quarter (23%) expect them to stay distinct and serve different needs, and a fifth (20%) think one will replace the others.

It's possible that how payments move won't even impact consumers or businesses. The transaction could just happen through the interface they already use. Behind the scenes, the bank picks the route that actually gets it there, whether that's via a stablecoin network, a tokenized deposit, an instant-payment scheme, or a regular bank transfer.

That choice depends on things like cost, where the money's going, speed, and whether the recipient can even accept that type of asset. Even if the underlying plumbing is fragmented, the customer should never see or deal with that complexity.



of banks expect payments, stablecoins, and tokenized deposits to converge into a single customer experience over the next three to five years

The payments hub will need to connect and manage these different rails. It may need to coordinate a tokenized asset on one network with a payment on another, convert stablecoins into deposits or central-bank money, and handle transactions initiated while an RTGS system is closed.

It will also need to route transactions, manage liquidity, coordinate settlement, reconcile activity, and apply consistent compliance controls.

Without that coordination, each new network risks creating another set of processes, systems, and controls.

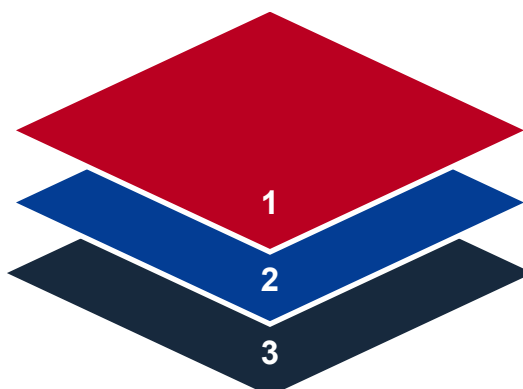
One customer experience, multiple underlying rails

Customer experience

Corporate banking • Treasury services • Cards and wallets • Merchant payments

Underlying rails

Stablecoins • Tokenized deposits • Central-bank money and RTGS • Existing account-based and ISO 20022 payment rails



Payments platform

Routing • Liquidity • Settlement coordination • Reconciliation • Compliance controls

The US and Europe are solving different problems

US respondents focus more on liquidity, infrastructure ownership, and competitive risk.

A quarter (25%) identify 24/7 liquidity and prefunding as the most underestimated operating cost, compared with European markets (13%).

Dependence on third-party infrastructure is also a greater concern in the US. When asked about the consequences for banks that do not support stablecoins or tokenized deposits, a quarter (26%) of US respondents select dependence on third-party providers, slightly higher than Europe (16%).

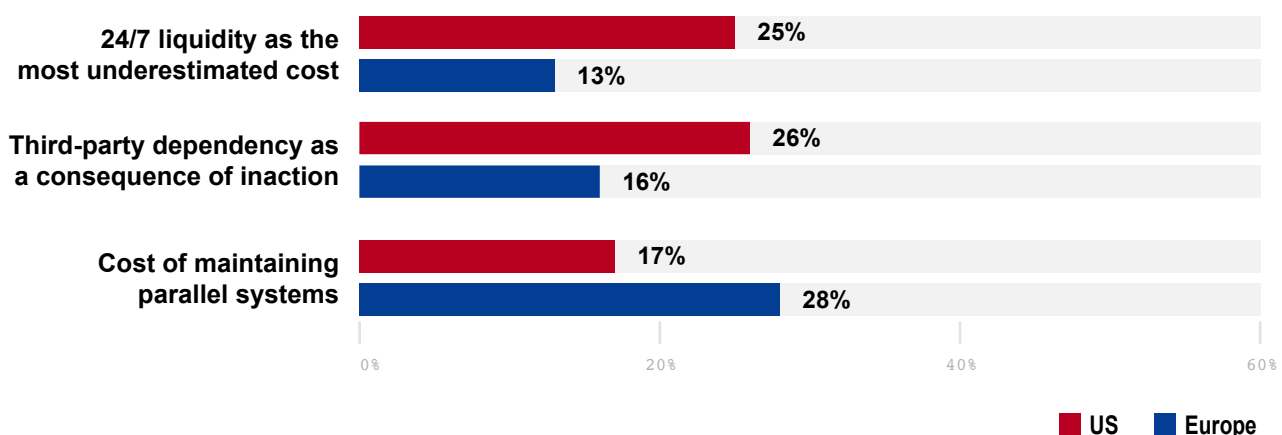
This may reflect the prominent role of private stablecoin issuers, technology companies, and non-bank payment providers in the US market. Banks that do not develop their own connectivity could become reliant on infrastructure operated outside the banking sector.

Europe already has mature regional payment and settlement infrastructure, including SEPA, T2, and TIPS (TARGET Instant Payment Settlement). Its challenge may be less about fixing infrastructure and more about connecting digital money with established systems.

This could explain why over a quarter (28%) of European respondents see higher costs from maintaining parallel legacy and digital systems as a likely consequence of not supporting digital assets, compared with just 17% in the US. These are differences in focus rather than completely separate paths.

US banks will need to modernize legacy infrastructure. European banks will face questions about liquidity and third-party dependence.

US and European respondents emphasize different challenges



Banks will play several roles

A multi-rail market does not mean every bank needs to do everything. Take stablecoins, for example.

Banks can:

- Issue their own stablecoin, either independently or through a consortium.
- Accept and distribute stablecoins issued by third parties.
- Integrate stablecoins and tokenized deposits into existing payment, treasury, and settlement services.

These approaches are not mutually exclusive. Issuing creates responsibility for reserves, redemption, governance, and operational resilience. Accepting a third-party stablecoin exposes the bank to an external issuer and network. Integration places more emphasis on connecting stablecoin activity with customer accounts, payments systems, core ledgers, liquidity processes, and compliance controls.

The right approach will depend on the bank. It must also address a genuine need. A rapid on-chain transfer is no good if funding, foreign exchange, compliance, or redemption remain slow or expensive. It must find where it can add value and which capabilities it needs to control.

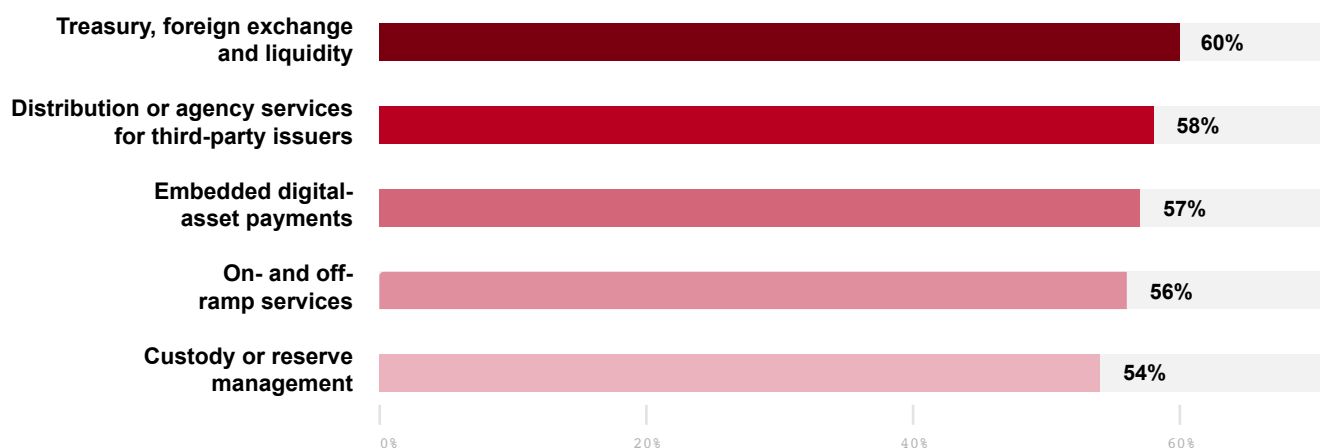
Our survey suggests banks are not just looking at issuing a coin. Six in ten (60%) are actively building or already offering treasury, foreign-exchange, and liquidity services for digital assets. More than half are also building or offering:

- Distribution or agency services for third-party issuers: 58%
- Embedded digital-asset payments: 57%
- On- and off-ramp services: 56%
- Custody or reserve-management services: 54%

This could allow banks to participate in stablecoin payments without issuing a token of their own. A bank might support third-party stablecoins for corporate clients while developing a tokenized deposit. Another may never issue a digital asset but provide custody, foreign exchange, liquidity, and redemption services around stablecoin transactions.

There is no single model.

Banks are preparing to play several roles



AI could speed up the build

Few banks will build every component themselves. Most will rely on external issuers, custodians, wallet providers, blockchain networks, and technology platforms.

This can accelerate implementation, but they also create dependencies.

Banks will need to decide what they want to do themselves. Control of the customer relationship, transaction data, compliance decisions, and payments orchestration may matter more than owning every technical component.

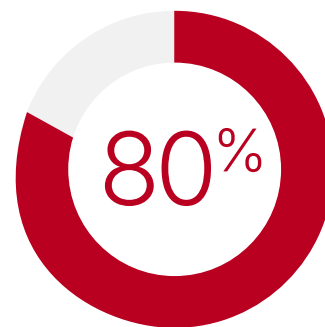
Banks expect AI to play a big role in getting ready for digital money. Eight in ten respondents (80%) plan to use AI agents to analyze, develop, and test the system upgrades needed to support digital money.

Just over one in ten (13%) say they do not plan to use AI, while 6% remain unsure. Just 1% say they do not expect to make the relevant system changes.

Every Head or Director of Payments Products surveyed plans to use AI agents. A big proportion of Chief Information Officers and payments-strategy leaders (86%) said the same.

AI can help banks design, document, code and test. It can upgrade and maintain payment flows.

Banks do not need to support every stablecoin or participate in every part of the market. They do need a clear role, a viable use case, and an operating model capable of supporting it at scale. They must be open to change.



of banks plan to use AI agents to get ready for digital money



Ready to move. Not yet ready to scale.

Just as oat milk hasn't replaced dairy milk, digital money is unlikely to replace bank deposits, central-bank money, or established payment systems outright.

That said, stablecoin adoption is gathering pace. In September, 21 major banks announced a joint venture to issue their own dollar-backed stablecoin, the clearest signal yet that this is moving from experiment to strategy. Our survey backs that up: around seven in ten banks are planning, building, piloting, or operating capabilities across the major forms of digital money. Yet only around one in ten has stablecoin capabilities live in production.

Moving beyond pilots will require much more than connecting another settlement rail. Some 57% expect to build new infrastructure or materially upgrade existing systems. Only 12% say their wallet-level AML, KYC, and sanctions controls are fully ready.

Payments hubs, core ledgers, liquidity management, compliance, and reconciliation will all need to work across digital and traditional forms of money.

When we asked where final settlement will actually occur, no single model dominated: 53% pointed to central-bank money, 47% to on-chain finality, 36% to an on-chain instruction triggering off-chain RTGS. The future is not one rail winning. It's banks running several at once, choosing whichever fits the corridor, counterparty, and use case in front of them.

Our respondents expect an average of approximately 8% of existing payment flows to move onto digital-asset rails over the next three to five years, while 40% expect non-bank digital money to result in deposit outflows.

Every respondent said there would be consequences for banks that fail to support stablecoins or tokenized deposits within the next three years.

There is no universal route to readiness, and no universal timeline either. US banks are more focused on liquidity and third-party dependence; European banks, on integration cost and legacy duplication. Some banks will issue stablecoins. Others will accept third-party assets or integrate them into treasury and settlement services.

AI may accelerate the work, with 80% planning to use AI agents to analyze, develop, and test system upgrades, but responsibility for strategy and risk will remain with the bank.

How this settles is still an open question, but a few shapes look plausible. A handful of mega-banks may end up like tech giants – owning infrastructure and setting the terms others build on. Alongside them, groups of large banks could coalesce like airline alliances such as Oneworld or Star Alliance: separate institutions, shared rails, coordinated reach. And infrastructure providers like Swift look best placed to keep enabling banks of every size to participate without building or owning the network themselves.

Timing is the sticking point: aviation built its clearing house decades before its alliances. This market is forming its alliances first..

Banks are ready to move. The next challenge is becoming ready to scale.

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About RedCompass Labs

RedCompass Labs is focused exclusively on payments modernization. The company works with banks and platform vendors around the world to deliver scheme migrations, platform builds, and large-scale modernization programs faster and with less risk than traditional consulting approaches.

Over the last 24 years, RedCompass Labs has delivered 300+ projects across the world's major payments schemes and platforms, including SEPA, Swift, the Real-time Payments Network, and FedNow on the scheme side, ISO 20022 migrations, and FIS Open Payments Framework (OPF), Finastra Global PAYplus (GPP), ACI Worldwide, Icon IPP, and many others on the platform side.

The company's flagship product is the Payments Expert Agent, an Applied AI solution purpose-built for the full payments modernization software development lifecycle: from requirements analysis through development, testing, and deployment.

It's trained on the company's decades of delivery expertise and more than 30,000 curated payments documents. Certified to SOC 2 Type II, the Payments Expert Agent deploys inside the bank's environment and enables modernization teams to deliver complex programs faster, at lower cost, and to a higher quality standard.

In parallel, RedCompass Labs helps banks detect financial crime hidden within payment flows. The RedFlag Accelerator is a global reference for detecting modern slavery, human trafficking, child sexual exploitation, elder abuse, drug trafficking, scams, and authorized push payment fraud. It combines a persona-oriented detection approach with red flags, crime models, and open-source intelligence. The Financial Crime Unit delivers practitioner-grade intelligence and scoring models that support live investigations and law enforcement action.

RedCompass Labs supports clients from offices in London, Warsaw, Brussels, Miami, Boston, Toronto, and Pune. For more information, visit www.redcompasslabs.com.

About the research

This white paper presents the findings of a survey conducted by Censuswide on behalf of RedCompass Labs. The survey, carried out between July 31 and August 11 2026, gathered insights from 300 senior payment professionals working in banks in the UK, USA, France, Spain, Italy, and Germany.

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