

ANONYMOUS

Proposal and Comment Information

Title: Application Procedures for Board-Supervised Insured Depository Institutions Seeking Approval for a Subsidiary to Issue Payment Stablecoins, R-1900

Comment ID: FR-2026-0034-01-C07

Submitter Information

Name: Anonymous

Submitted Date: 10/07/2026

Subject: Citizen Research Submission — Digital Monetary Integrity and Household Economics in the Emerging Digital Financial System

Chairman Warsh and Members of the Board:

I am submitting two companion research memorandums for your review:

Companion Memorandum I — Digital Monetary Integrity and Systemic Risk

This paper examines the potential for counterfeiting-equivalent digital monetary failures, theft, illicit finance, reserve and infrastructure vulnerabilities, and other existing financial-system weaknesses to be amplified as settlement becomes increasingly global, interconnected, automated, and capable of operating at machine speed.

Companion Memorandum II — Who Owns the Compounding?

This paper examines a separate but related economic question: as digitization reduces the cost of storing, moving, settling, and administering money, who ultimately receives the resulting yield and efficiency gains—and who is able to compound those benefits over time?

Together, the memorandums raise two complementary questions about the emerging digital financial system:

How do we prevent the structural weaknesses of the current monetary system from being reproduced and accelerated in the next one, and how do we ensure that the economic efficiencies created by the new system are understood and measured at the household level?

I am submitting this research as an independent U.S. citizen researcher, not on behalf of any company, digital-asset issuer, financial institution, or political organization. I am not advocating adoption of a particular private network or technology. My purpose is to identify risks, economic questions, and testable assumptions that I believe warrant further institutional examination.

I respectfully request that the memorandums be referred to the appropriate staff working in financial stability, payments, supervision and regulation, monetary affairs, economic research, and digital-asset policy.

Thank you for your consideration.

Michael White

Independent Citizen Researcher

CITIZEN RESEARCH SUBMISSION

Integrity and Systemic Risk in Emerging Digital Monetary Infrastructure

October 7, 2026

The Honorable Kevin Warsh
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chairman Warsh:

I am submitting the two enclosed memorandums as an independent citizen researcher. These issues intersect directly with payments, financial stability, bank supervision, reserve assets, settlement infrastructure, and the Federal Reserve's continuing work on stablecoin and digital-payment risks. My central concern is straightforward: as financial infrastructure becomes digital, global, continuous, and increasingly automated, we should not reproduce the structural weaknesses of the existing monetary system inside a system capable of transmitting those weaknesses at machine speed.

The first memorandum focuses on three exposures that are already observable in digital-asset markets: unauthorized or unbacked creation of monetary claims (the economic analogue of counterfeiting), illicit finance and laundering, and theft or compromise of digital value. It then examines how those exposures could become materially larger if similar failure modes occur across tokenized deposits, digital cash equivalents, reserve-backed instruments, tokenized securities, settlement tokens, and machine-controlled wallets.

The second memorandum focuses on system design. It does not ask the government to select a particular blockchain or private network. Instead, it proposes architecture-neutral criteria intended to reduce unnecessary leverage, opaque dependency chains, unauthorized issuance, bridge and smart-contract exposure, key and governance concentration, and the ability of an invalid monetary claim to propagate through automated markets before it is detected.

Where XRPL is discussed, it is used only as one comparative example of a design that implements several financial functions at the protocol level. No digital architecture should be treated as unhackable or categorically safe. The question is which design characteristics measurably reduce risk before digital monetary infrastructure becomes deeply embedded in the global financial system.

I respectfully request review by the appropriate economic-policy, financial-stability, payments, banking, cybersecurity, illicit-finance, and digital-assets staff. I welcome scrutiny of the evidence, assumptions, and scenario analysis.

Respectfully,

Michael White
Independent Citizen Researcher

MEMORANDUM

TO: Chairman Kevin Warsh and the Board of Governors of the Federal Reserve System

FROM: Michael White, Independent Citizen Researcher

DATE: October 7, 2026

SUBJECT: Digital Monetary Integrity, Illicit Finance, and Theft: Risk Amplification in Machine-Speed Financial Infrastructure

Executive Summary

The emerging digital monetary system should not be evaluated only by speed, cost, programmability, or convenience. It should also be evaluated by whether it reproduces known monetary and financial weaknesses in a form that can operate continuously, across borders, and at machine speed. Three exposures deserve particular attention: (1) unauthorized or unbacked creation of digital monetary claims; (2) laundering, sanctions evasion, and other illicit movement of value; and (3) theft or compromise of digital assets and the infrastructure that controls them.

These risks are not unique to digital assets. Counterfeiting, money laundering, fraud, theft, leverage, and runs already exist in the conventional system. The concern is that digital infrastructure can reduce the friction and reaction time that currently slow propagation. A defect or compromise can be transmitted through exchanges, bridges, collateral systems, automated market makers, custody arrangements, payment networks, and autonomous software before traditional human or institutional controls can respond.

The policy objective therefore should not be simply to digitize money. It should be to design digital money and digital settlement so that they do not inherit - and then accelerate - the weaknesses of the system they are intended to improve.

Sources: [1], [2], [3]

1. Core Policy Principle: Do Not Digitize Legacy Fragility

A faster financial system can reduce settlement exposure, improve liquidity management, lower costs, and enable new forms of commerce. Speed is not itself the problem. The risk appears when faster settlement is combined with old weaknesses: unauthorized issuance, opaque collateral chains, excessive leverage, concentrated control points, liquidity mismatch, identity obfuscation, compromised credentials, and weak containment mechanisms.

The IMF's 2026 systemic-stablecoin work explicitly describes large-scale stablecoin liquidity dynamics as potentially operating 24/7/365, cross-border, and at near-instant speed. Its model captures a feedback loop in which redemptions deplete reserves, asset sales depress bond prices, issuer solvency deteriorates, and further redemptions follow. Federal Reserve research in 2026 separately identifies increasingly complex intermediation chains, vertical integration, and growing connections to traditional payment infrastructure as possible amplifiers of financial-stability risk.

Sources: [1], [3]

2. Exposure One: Unauthorized or Unbacked Creation of Digital Monetary Claims

In this memorandum, "digital counterfeiting" is used as an economic analogy, not as a legal characterization. It refers to a condition in which software, governance, credential, or validation failure permits a monetary claim to be created, credited, or accepted without the asset or authorization that is supposed to support it.

- Unauthorized minting or balance creation through validation defects or compromised administrative credentials.
- Bridge or wrapped-asset failures that create claims without corresponding locked reserves.

- Smart-contract or accounting defects that cause a system to recognize value that was never legitimately funded.
- Custody, key-management, or database compromise that changes ownership records or releases reserve assets without valid authorization.
- Reserve-accounting failures that allow more redeemable claims to circulate than can be honored under stress.

Case Study: The 2026 Liquid Network Exploit

The September 2026 Liquid Network incident provides a concrete example of monetary-integrity failure. Chainalysis reported that a transaction-validation vulnerability allowed attackers described as purported white hats to create unbacked L-BTC and exchange those claims for roughly 4,000 real BTC held in reserve, worth about \$320 million at the time. Most of the BTC was subsequently returned, but the incident demonstrates a critical principle: a software-validation failure can cause an invalid digital claim to be accepted against genuine reserve assets.

This was not a stablecoin failure and should not be described as \$320 billion in stablecoin losses. L-BTC is a bitcoin-backed representation on a sidechain. Its relevance is architectural: the incident shows how an unbacked digital claim can be created by a verification defect and then converted into legitimate reserve value.

Sources: [6]

3. Exposure Two: Illicit Finance and Laundering at Digital Scale

The illicit-finance issue is already measurable. Chainalysis estimates that identified illicit cryptocurrency addresses received at least \$154 billion in 2025, while emphasizing that this is a lower-bound estimate and that illicit activity remained below 1% of overall attributed crypto transaction volume. Stablecoins represented 84% of the identified illicit transaction volume in that dataset. FATF has cited the same 84% figure and identifies stablecoin misuse across money laundering, terrorist financing, sanctions evasion, and proliferation financing.

The fact that illicit activity is a minority of total activity does not eliminate systemic relevance. Scale matters. If digital monetary infrastructure becomes a routine layer for global commerce and financial settlement, even a small illicit share can represent very large absolute flows. The challenge becomes more difficult when value can move across multiple networks, unhosted wallets, decentralized applications, bridges, and jurisdictions faster than traditional reporting, freezing, and recovery processes.

FATF's July 2026 DeFi report found that 132 of 143 surveyed jurisdictions had not yet implemented FATF standards in relation to qualifying DeFi arrangements. That gap is important because regulatory fragmentation can become part of the transmission mechanism in a globally interoperable system.

Sources: [4], [5], [7]

4. Exposure Three: Theft and Infrastructure Compromise

Theft risk is not limited to smart contracts. TRM Labs reported 207 crypto hacks in the first half of 2026, with total losses of approximately \$972 million. Smart-contract exploits accounted for most incidents, but infrastructure and operational compromises represented only about 15% of incidents while accounting for roughly 76% of total losses. This distinction matters: limiting smart-contract exposure may reduce one class of risk, but key management, infrastructure, custody, operational security, and governance remain critical.

Sources: [8]

5. Velocity-Amplified Financial Risk

The central concern is not simply that digital money can be stolen, laundered, or created incorrectly. Those failures exist today. The concern is that the next system may allow the same weaknesses to propagate through interconnected financial networks continuously and at machine speed.

An invalid claim can potentially be transferred, exchanged, pledged, wrapped, used as collateral, or incorporated into automated liquidity before the defect that created it is recognized. An illicit flow can be divided and moved through multiple networks and counterparties before investigative processes respond. A compromised key can trigger transactions across systems without the delays associated with traditional settlement and manual control.

This memorandum refers to that condition as “velocity-amplified financial risk”: the possibility that an existing financial vulnerability becomes materially more severe because digital settlement, automated execution, continuous markets, and AI-driven activity compress the time between initiating event, propagation, detection, and intervention.

Sources: [1], [2], [3]

6. Scaling Beyond Stablecoins: Illustrative Exposure, Not a Forecast

Current stablecoin incidents should not simply be multiplied by a future market-size estimate. A particular exploit does not imply a constant loss rate. A more disciplined way to examine scale is to ask what different integrity-failure rates would mean if future digital monetary claims and settlement instruments represented very large pools of value. The table below is scenario analysis only; it is not a prediction of future losses or a forecast of the size of digital money.

Illustrative failure rate	\$10T digital value	\$50T digital value	\$100T digital value	\$250T digital value
0.001%	\$100 million	\$500 million	\$1 billion	\$2 billion
0.010%	\$1 billion	\$5 billion	\$10 billion	\$25 billion
0.100%	\$10 billion	\$50 billion	\$100 billion	\$250 billion

The purpose of this table is to show scale sensitivity. At \$100 trillion of digital monetary value, a 0.001% integrity failure equals \$1 billion; a 0.01% failure equals \$10 billion; and a 0.10% failure equals \$100 billion. The policy issue is therefore not whether every digital system will experience those rates, but whether architecture, supervision, and recovery mechanisms are being designed for failure modes whose absolute consequences increase dramatically with scale.

7. Evidence Matrix: Original Concern vs. 2026 Evidence

Original concern	2026 evidence	Current status
Unauthorized or unbacked digital claims can extract real reserve value.	Liquid Network exploit: unbacked L-BTC was accepted for real BTC.	Observed case study; not proof that all tokenized systems share the same vulnerability.
Illicit finance can scale quickly through digital rails.	Chainalysis: at least \$154B received by identified illicit crypto addresses in 2025; 84% of identified illicit volume used stablecoins. FATF identifies ML/TF/PF risks.	Observed at material scale; still a small share of overall attributed crypto volume.
Software and infrastructure compromise can cause large losses.	TRM: 207 hacks and ~\$972M lost in H1 2026; smart-contract exploits dominated incident count while infrastructure/operational compromises dominated losses.	Observed across multiple attack classes.
Interconnection can transmit stress to traditional finance.	Fed identifies complex intermediation and integration with conventional payments as potential amplifiers; IMF models redemption/fire-sale feedback.	Institutionally identified and formally modeled.
Machine-speed settlement can amplify reaction-time risk.	IMF models near-instant 24/7/365 stablecoin liquidity dynamics; Fed research identifies run fragility in digital money.	Plausible amplification mechanism; magnitude depends on architecture and scale.
Protocol-level primitives can reduce some application-layer risk.	Architectural hypothesis supported by differences in dependency structure, but not by proof of universal superiority.	Testable hypothesis; should be independently stress-tested across multiple networks.

8. Policy Questions

- What controls ensure that no digital monetary claim can be created or redeemed without verifiable authorization and corresponding backing where backing is represented?
- How should regulators test issuance, redemption, reserve accounting, bridges, wrapped assets, and tokenized-deposit systems for unauthorized-creation scenarios?
- What transaction-lineage and identity controls are necessary to prevent machine-speed movement from outpacing AML/CFT and sanctions controls?
- What failure-containment mechanisms can stop an invalid claim from being rehypothecated, collateralized, or propagated across systems before detection?
- Should systemically important digital settlement providers be required to map key, cloud, custodian, bank, issuer, bridge, oracle, liquidity-provider, and governance dependencies?
- How quickly can assets be frozen, quarantined, reversed, or isolated after a verified integrity failure, and what legal authority governs those actions across jurisdictions?
- How should stress tests account for automated agents executing transactions and liquidation decisions at speeds beyond traditional human response cycles?

Conclusion

The lesson of current digital-asset incidents is not that digital finance should be rejected. It is that failure modes visible at today's scale should be treated as engineering and financial-stability warnings before similar architectures are entrusted with a much larger share of global monetary value. The objective should be to preserve the benefits of

digital settlement while designing out, containing, or materially reducing the mechanisms that enable unauthorized monetary creation, illicit value transfer, theft, opaque leverage, and rapid contagion.

MEMORANDUM

TO: Chairman Kevin Warsh and the Board of Governors of the Federal Reserve System

FROM: Michael White, Independent Citizen Researcher

DATE: October 7, 2026

SUBJECT: Designing Out Legacy Monetary Weaknesses: Architecture-Neutral Resilience Standards for Digital Money and AI-Driven Settlement

Purpose

The first memorandum identifies three core exposures: integrity failure in the creation or backing of digital monetary claims, illicit use and laundering, and theft or compromise. This second memorandum asks how infrastructure can be designed so those risks are not merely digitized and accelerated.

The relevant policy choice is not “which blockchain should win?” A more durable approach is to define the characteristics any system should demonstrate before it becomes material to U.S. or global monetary infrastructure, and then apply those criteria to public blockchains, bank-tokenization systems, stablecoin networks, permissioned institutional ledgers, payment networks, and future architectures on comparable terms.

1. System-Design Objective

The next monetary architecture should be designed around containment as well as throughput. A system that settles faster but allows invalid claims, compromised credentials, opaque collateral, or illicit value to propagate faster may improve efficiency while simultaneously increasing tail risk. Therefore, every major design choice should be evaluated against two questions: does it reduce the probability of a failure, and does it reduce the distance and speed at which a failure can propagate?

2. The “Invalid Claim Propagation” Scenario

The following is a conceptual stress scenario, not a claim that any particular network necessarily permits every step:

- A validation, credential, or accounting defect creates an unauthorized or unbacked digital claim.
- The claim is transferred or redeemed against legitimate assets.
- The claim or proceeds are deposited into a liquidity pool, exchange, custody system, or tokenized market.
- Automated systems treat the claim as valid collateral or liquidity.
- Additional credit, leverage, or settlement obligations are created against that apparent value.
- The defect is discovered after the claim has crossed multiple counterparties or networks.
- Asset freezes, reversals, liquidations, or withdrawals occur simultaneously, creating secondary losses beyond the initial unauthorized amount.

The purpose of this scenario is to identify where containment controls should exist. If an invalid digital claim cannot be created, the chain ends at step one. If it can be created but cannot leave a quarantined domain, propagation is limited. If lineage is preserved, counterparties can identify exposure more quickly. If leverage and collateral reuse are constrained, secondary losses can be reduced.

3. Architecture-Neutral Resilience Criteria

Control objective	Question	Failure being contained	Evidence/test
Monetary-supply integrity	Can value be created only through explicitly authorized state transitions?	Unauthorized issuance / counterfeit-equivalent claims	Adversarial issuance tests; invariant checks; independent code review.

Control objective	Question	Failure being contained	Evidence/test
Reserve integrity	Is each redeemable claim demonstrably matched to permitted backing under stated rules?	Unbacked claims / liquidity shortfall	Real-time or high-frequency reconciliation; redemption stress tests.
Key and credential security	Can a compromised key unilaterally create, transfer, freeze, or redeem material value?	Theft / unauthorized control	Multifactor, threshold, hardware and recovery tests; role separation.
Bridge and wrapping controls	What prevents claims from being created without locked source assets?	Synthetic duplication / cross-chain contagion	Proof verification, limits, independent attestations, kill/quarantine controls.
Collateral lineage	Can the system identify whether the same economic exposure supports multiple obligations?	Opaque leverage / rehypothecation	Asset provenance, collateral registry, leverage disclosure or protocol limits.
Governance containment	Who can change rules or override controls, and under what accountability?	Admin-key / upgrade abuse	Governance mapping, time locks, independent approval and audit trails.
AML/CFT interoperability	Can regulated participants identify origin, destination, sanctions risk and beneficial control where required?	Laundrying / sanctions evasion	Travel-rule interoperability, transaction monitoring, freeze/escalation tests.
Machine-speed authorization	Can autonomous agents act only within bounded, revocable authority?	Runaway automated transactions	Velocity limits, spending caps, revocation, anomaly detection, human escalation.
Failure quarantine	Can a compromised asset, contract, bridge, or domain be isolated without stopping the entire system?	System-wide propagation	Segmented shutdown drills, exposure mapping, recovery time objectives.
Finality and recovery	What is legally and technically final, and what remedies exist after fraud or software failure?	Uncertain unwind / cascading disputes	Scenario testing across jurisdictions, custodians and settlement layers.

4. Protocol-Level Functions vs. Application-Layer Complexity

General-purpose smart-contract platforms provide flexibility and rapid innovation, but each additional contract, bridge, oracle, middleware service, administrative key, and cross-chain dependency can add a distinct failure mode. Protocol-level financial primitives can reduce some of those dependencies by implementing common functions directly in the base ledger. That design choice can reduce certain classes of application-layer risk, but it does not eliminate software defects, compromised keys, governance risk, issuer risk, market risk, or endpoint compromise.

XRPL is relevant as a comparative case because several payment, exchange, escrow, and automated-market functions are protocol-native. It should be evaluated under the same stress scenarios as Ethereum and layer-2 systems, Solana, permissioned bank ledgers, stablecoin networks, and other architectures. The policy objective should be evidence-based comparison, not selection of a private winner.

5. Designing for a Global, AI-Driven Monetary System

AI-driven commerce raises the importance of bounded authority and containment. An autonomous agent may be able to initiate payments, purchase services, rebalance collateral, or respond to price changes without waiting for human review. That can improve efficiency, but it also means that faulty data, compromised credentials, manipulated instructions, or invalid assets can trigger many downstream actions before a human decision-maker becomes aware of the event.

- Explicit spending and transaction limits for autonomous agents.
- Cryptographically verifiable delegation with rapid revocation.
- Rate and velocity controls that can tighten automatically during anomalous conditions.
- Machine-readable asset provenance and reserve status.
- Automatic quarantine of assets or counterparties associated with a verified integrity failure.
- Cross-network incident messaging so that one system's discovery can be communicated rapidly to dependent systems.
- Clear legal responsibility for automated actions taken by agents on behalf of firms, consumers, or institutions.

6. Proposed Comparative Stress Tests

- Unauthorized issuance: attempt to create or redeem value without valid backing or authority.
- Compromised validator/admin/key: measure maximum value at risk and time to containment.
- Bridge failure: assume source collateral is missing or proof verification is bypassed.
- Synthetic collateral propagation: trace an invalid asset through lending, liquidity and settlement systems.
- Mass redemption: combine 24/7 redemption pressure with reserve-market illiquidity.
- Illicit-flow fragmentation: test tracing and freezing after funds are divided across multiple networks and wallets.
- AI-agent runaway: inject corrupted data or instructions and measure transaction volume before revocation.
- Cross-jurisdiction recovery: test legal and technical unwind where assets, issuers, custodians and users are in different countries.

7. Research Position

The current evidence supports concern about unauthorized digital claims, illicit flows, theft, run dynamics, software compromise, and increasing interconnection between digital assets and conventional finance. It does not establish that one network is universally superior or that any architecture can be made risk-free. The research question should therefore remain comparative: which designs eliminate entire categories of dependency, which merely relocate risk, and which create new forms of concentration or fragility?

Sources: [1], [2], [3], [4], [5], [6], [8]

Conclusion

The transition to digital money creates a rare opportunity to redesign financial infrastructure before path dependence makes the architecture difficult to change. The objective should be to avoid reproducing counterfeiting-equivalent monetary failures, illicit-finance vulnerabilities, theft, opaque leverage, and concentrated operational dependencies in a system whose speed and global reach could magnify their consequences. The standard should be measurable resilience: prevent invalid value where possible, contain it when prevention fails, preserve traceability and accountability, and keep local failures from becoming system-wide failures.

Selected Research Sources

The sources below are used to distinguish observed events and institutional research from scenario analysis and design hypotheses in the memorandums.

[1] Federal Reserve Board, “Stablecoins in 2025: Developments and Financial Stability Implications” (Apr. 8, 2026). [Source](#)

[2] Federal Reserve Board, “The Fragility of Perfectly Safe Digital Money” (June 2026). [Source](#)

[3] IMF Working Paper, “From Par to Pressure: Liquidity, Redemptions, and Fire Sales with a Systemic Stablecoin” (Jan. 16, 2026). [Source](#)

[4] FATF, “Targeted Report on Stablecoins and Unhosted Wallets” (2026). [Source](#)

[5] FATF, “Targeted Report on Regulatory Challenges from Decentralised Finance” (July 21, 2026). [Source](#)

[6] Chainalysis, “How The \$320M Exploit of Liquid Network Went Down” (Sept. 9, 2026). [Source](#)

[7] Chainalysis, “2026 Crypto Crime Report Introduction” (Jan. 8, 2026). [Source](#)

[8] TRM Labs, “H1 2026 Crypto Hacks Reach Record High as Losses Fall Below USD 1 Billion” (July 1, 2026). [Source](#)

[9] TRM Labs, “2026 Crypto Crime Report” (Jan. 28, 2026). [Source](#)

[10] Federal Reserve Board, Kevin Warsh, Chairman (official biography). [Source](#)

Important Interpretive Notes

- The \$320 million Liquid Network event is a case study in unauthorized/unbacked digital claims; it was not a \$300 billion stablecoin loss.
- The \$154 billion Chainalysis figure is identified illicit transaction volume received by illicit cryptocurrency addresses in 2025, not a measure of consumer losses. Chainalysis describes it as a lower-bound estimate.
- The 84% stablecoin figure refers to stablecoins’ share of identified illicit crypto transaction volume in Chainalysis data cited by FATF; it does not mean 84% of all stablecoin activity is illicit.
- Scenario tables in these memorandums are sensitivity analyses, not forecasts. They illustrate how small failure percentages translate into large absolute amounts when applied to very large pools of digital monetary value.
- Federal Reserve and IMF research cited here includes staff or working-paper research. The views in those papers do not necessarily represent official institutional policy.

COMPANION MEMORANDUM II

WHO OWNS THE COMPOUNDING?

Household Wealth, Yield Allocation and the Distribution of Digital-Finance Efficiency Gains

TO: Chairman Kevin Warsh and the Board of Governors of the Federal Reserve System

FROM: Michael White, Independent Citizen Researcher

DATE: October 7, 2026

RE: Household wealth, digital-asset market structure, stablecoin yield and the distribution of digital-finance efficiency gains

PURPOSE

I submit this memorandum as a U.S. citizen concerned with a basic economic question that may outlast the current political debate: as the financial system becomes more digital and less costly to operate, how much of the resulting return and efficiency gain will remain with American households to compound over time? This memorandum does not ask the Federal Reserve, the Executive Branch, or Congress to favor banks or digital-asset firms, nor does it recommend a vote for or against H.R. 3633, the CLARITY Act, or any successor legislation. It asks that the competing claims be quantified before the architecture of digital money becomes entrenched for decades.

**When technology reduces the cost of storing, moving, settling and administering money,
who receives the benefit - and who gets to compound it?**

WHY I AM SHARING THIS WITH THE FEDERAL RESERVE

This memorandum examines an economic and financial-system question at the intersection of household savings, bank funding, stablecoin remuneration, tokenized deposits and payment modernization. Banking organizations argue that interest-like stablecoin rewards can draw deposits from banks and weaken funding for mortgages, small-business lending and community credit. Other analyses question the magnitude of those effects and ask whether restrictions on holder rewards primarily preserve existing funding economics. The memorandum presents both arguments and identifies measurable evidence that could distinguish them.

For the Board and relevant staff, the useful question is what can be measured: deposit retention, additional lending, loan pricing, reserve income, household yield, payment and settlement savings, and the distribution of those gains among households, banks, issuers, custodians, platforms and borrowers.

The analysis follows economic value through banks, stablecoin issuers, exchanges, custodians, reserve managers, payment networks and public institutions. It distinguishes documented ownership from custody, commercial partnerships and infrastructure relationships, and it extends the analysis globally because changes affecting dollar-linked digital finance can transmit beyond U.S. households.

The central question is straightforward: when technology lowers the cost of storing, moving, converting and settling money, who receives the resulting economic benefit - and who gets to compound it? Small differences in annual household return can become large differences over decades, while small differences in transaction or settlement economics can become significant at global scale.

I am submitting the memorandum so that the Board and relevant monetary-affairs, financial-stability, supervision, payments and consumer/economic staff can independently test the assumptions and calculations and examine whether the emerging digital financial architecture changes household economics or primarily changes the rails through which value moves.

Five Questions for Policy Review

1. What measurable benefit is the restriction intended to produce?

If stablecoin remuneration is restricted to protect bank deposits, what amount of deposit retention, additional lending, lower loan pricing or improved financial stability is expected?

2. Where does reserve income go when it cannot reach the holder?

Treasury bills, repos and other reserve assets can continue generating returns. After legitimate costs, which parties receive the residual economic return?

3. Who receives the digital efficiency dividend?

If tokenization reduces settlement, reconciliation, processing and infrastructure costs, what mechanism causes those savings to reach depositors or borrowers?

4. Does tokenization change household economics or only the rails?

If a bank deposit becomes a blockchain-based deposit token while the bank retains the liability and pricing authority, what measurable economic improvement reaches the depositor?

5. Who owns the compounding?

Will households retain a larger share of the economic return supported by their liquid balances 10, 20, 30 and 40 years from now?

KEY NUMBERS WORTH TESTING

The figures below are outputs of the White House Council of Economic Advisers' September 2026 model. They are not observed outcomes or forecasts. Banking groups dispute the implications and emphasize future stablecoin scale, deposit stickiness and community-bank funding risk.

CEA baseline measure	Modeled result
Stablecoin balances moved toward bank deposits after a yield prohibition	\$54.4 billion
Additional total bank lending	\$2.1 billion
Additional community-bank lending	~\$0.52 billion
Annual yield forgone by holders who remain in stablecoins	\$8.5 billion
Net annual welfare effect in the model	-\$0.80 billion

THE COMPETING BANKING ARGUMENT

Banking trade groups argue that payment-stablecoin rewards can become substitutes for deposits, that future market scale may make outflows materially larger than baseline models imply, and that community-bank deposits support local mortgages, small-business finance, agricultural credit and relationship lending. Their September 2026 request is to close interest-like reward channels rather than rely on an after-the-fact circuit breaker.

Household compounding illustration

Using the report's illustrative 4.00% gross-return benchmark, a \$100,000 balance compounds very differently depending on the portion reaching the household. These are scenarios, not forecasts.

Household APY	10 years	20 years	30 years	40 years
0.50%	\$105,114	\$110,490	\$116,140	\$122,079
1.25%	\$113,227	\$128,204	\$145,161	\$164,361
2.75%	\$131,165	\$172,043	\$225,660	\$296,001
3.50%	\$141,060	\$198,979	\$280,679	\$395,949

The issue is not whether every dollar of spread is profit. It is whether, after necessary costs and safeguards, households receive a larger share of the return and efficiency gains created around their money.

WHY THIS WARRANTS INSTITUTIONAL REVIEW

The memorandum connects the U.S. digital-asset market-structure debate to a longstanding economic question: who captures the return generated around ordinary people's money? It extends that question to stablecoins, tokenized deposits, institutional custody, cross-border payments and a possible global digital exchange layer. The purpose is not to prescribe a political conclusion, but to provide a quantitative framework that can be tested against observed outcomes and future policy choices.

ROADMAP OF THE RESEARCH MEMORANDUM

Part I - Household Economics - Defines Consumer Yield Capture, Household Wealth Capture and the digital efficiency dividend.

Part II - Who Controls the Yield? - Examines stablecoin remuneration, CLARITY, custody and institutional value capture.

Part III - Verified Institutional Network - Maps documented banks, issuers, exchanges, custodians, reserve managers and tokenized-money relationships while separating connection from control.

Part IV - \$100,000 Value-Flow Model - Compares traditional deposits, tokenized deposits and stablecoin architectures using a common gross-return benchmark.

Part V - Integrated Findings - States what the evidence establishes, what it does not establish, and the household-centered tests that should be tracked.

Appendix A - Global Financial Power Network Cross-Check - Corrects and qualifies the broader institutional-network hypothesis against current public evidence.

Part VI - The CLARITY Fork - Compares conditional yield competition with a broader interest-like reward restriction and identifies measurable outcomes that would strengthen or weaken each scenario.

Part VII - The Global Financial Transition - Extends the household and value-capture framework to remittances, FX, cross-border payments, monetary sovereignty and global liquidity.

Part VIII - Global Synthesis - Asks who owns the money, yield, liquidity, efficiency dividend and compounding in a global digital monetary system.

Submitted for independent institutional review and criticism. The memorandum does not recommend a vote for or against H.R. 3633, the CLARITY Act, or any successor legislation. It asks that the economic consequences for households, bank funding, credit availability and global users be measured transparently.

Michael White

WHO OWNS THE COMPOUNDING?

Household Wealth, Yield Control and Institutional Value Capture in a Tokenized Financial System

Integrated Analytical Report • September 16, 2026

Central question

If digitalization lowers the cost of storing, moving, settling and administering money, who receives the efficiency dividend—and who gets to compound the resulting return over decades?

Evidence-based scenario analysis. Numerical models are illustrative, not forecasts.

Executive Summary

The transition toward tokenized deposits, stablecoins and blockchain-based settlement has the potential to reduce important financial-system frictions. It can shorten settlement cycles, automate reconciliation, reduce some pre-funding and processing requirements, and make household balances more mobile. Those technical gains do not determine how the resulting economic value is distributed.

This report examines that distribution through a household-centered question: who owns the compounding? It separates four issues that are often blended together: the return generated by household capital; the legitimate cost of operating and protecting the financial system; the portion of distributable return retained by intermediaries; and the portion actually delivered to households.

The evidence shows substantial integration between traditional finance and digital assets. Banks are developing tokenized deposits and on-chain settlement products; established custodians are servicing stablecoin reserves; stablecoin issuers derive significant revenue from reserve assets; and exchanges and distribution partners can receive substantial economics tied to those reserves. This demonstrates institutional convergence, but it does not by itself establish common ownership or coordinated control.

The central policy and market question is therefore not whether digital finance is 'banking' or 'crypto.' It is whether competition and regulation cause a materially larger share of distributable economic return and cost savings to reach households.

Integrated thesis

Digitalization can transform the financial rails without materially changing household wealth capture. A meaningful distributional change occurs only if households receive a larger share of the underlying return and are able to compound that share over time.

Key quantitative illustration

\$100,000 scenario	Household APY	Annual household return	40-year value*
Traditional low-yield deposit	0.50%	\$500	~\$122,079
Bank tokenized deposit	1.25%	\$1,250	~\$164,361
Restricted-yield stablecoin	2.00%	\$2,000	~\$220,804
High-pass-through digital instrument	3.50%	\$3,500	~\$395,949

*Illustrative constant-rate scenario with no additional contributions, taxes, inflation or withdrawals. It is designed to isolate the compounding effect, not forecast future returns.

Report Structure

Part	Focus
I — Household Economics	Why small differences in savings yield become large wealth differences over time.
II — Yield Control	How stablecoin remuneration, legislation and reserve economics affect who can receive underlying yield.
III — Institutional Network	Documented links among banks, issuers, exchanges, custodians and tokenized financial rails.

IV — \$100,000 Value-Flow Model	A common quantitative yardstick across four competing financial architectures.
V — Integrated Findings	What the evidence establishes, what remains uncertain, and the tests that should govern future analysis.

PART I — HOUSEHOLD ECONOMICS

Yield capture, financial resilience and the long-term compounding effect

1. Current Financial-System Evidence

Deposits remain central to U.S. bank economics. Federal Reserve research published in February 2026 states that deposits represent approximately two-thirds of U.S. bank liabilities and typically provide stable funding at a cost below the interest earned on bank assets. The same research notes that deposit outflows and replacement with costlier wholesale funding can weaken bank profitability.

Federal Reserve Bank of Dallas research likewise finds that depositors respond strongly to rates and that competition for deposits matters. New York Fed research finds that retail-depositor-oriented banks benefit from relatively cheap and stable funding, influencing the assets and loans they hold.

On the digital side, BIS research published in June 2026 finds that centralized exchanges already remunerate stablecoin holders through reserve-based or market-activity-based models. Under the reserve-based model, yields tend to track policy rates. This demonstrates that a portion of the return generated by reserve assets can, technically, be transmitted toward end users.

BIS work on tokenization also describes potential reductions in operational frictions, errors, settlement cycles and pre-funding needs through programmable and atomic settlement. These improvements create the possibility of an efficiency dividend, although cybersecurity, compliance, liquidity, governance, fraud prevention, custody and capital costs remain.

2. Household Yield-Capture Model

To isolate the distributional effect, the following scenarios assume a 4.0% gross low-risk return is available to the system. The rates are illustrative and held constant only to demonstrate the mathematics of value allocation and compounding.

Illustrative model	Household yield	Consumer Yield Capture
Legacy / low-yield deposit	0.50%	12.5%
Controlled digital	1.25%	31.25%
Competitive digital	2.75%	68.75%
High pass-through	3.50%	87.50%

\$25,000 household balance

Model	Annual household return	Remaining gross yield*	Balance after 30 years
Legacy / low-yield	\$125	\$875	\$29,035
Controlled digital	\$313	\$687	\$36,288
Competitive digital	\$688	\$312	\$56,414
High pass-through	\$875	\$125	\$70,170

**Remaining gross yield is not synonymous with bank or intermediary profit. It must fund legitimate costs such as capital, liquidity, insurance, operations, compliance, technology, credit risk and taxes.*

Thirty-year household difference

On the same original \$25,000, the difference between a constant 0.50% and 3.50% return is approximately \$41,135 after 30 years. The household did not save more initially; the allocation of return changed.

3. The \$1,000-Per-Year Household Effect

A recurring \$1,000 annual improvement is not merely \$1,000 of current income. If the household can retain and invest it, each year's additional return begins generating returns of its own.

Period	Family contributions	Ending value at 4%	Value from compounding
10 years	\$10,000	\$12,006	\$2,006
20 years	\$20,000	\$29,778	\$9,778
30 years	\$30,000	\$56,085	\$26,085
40 years	\$40,000	\$95,026	\$55,026

At 40 years, \$40,000 of annual \$1,000 contributions grows to roughly \$95,000 under the illustrative 4% assumption. For households with limited financial assets, this can materially affect emergency reserves, education funding, down-payment capacity, retirement resources and reliance on high-cost consumer debt.

Scale illustration: 50 million households

Period	Collective accumulated value
10 years	\$0.60 trillion
20 years	\$1.49 trillion
30 years	\$2.80 trillion
40 years	\$4.75 trillion

This scale exercise is not a forecast. It assumes constant participation, constant returns, full reinvestment and no taxes or withdrawals. Its purpose is to demonstrate why recurring differences in household yield can become macroeconomically large.

4. Household Financial-Resilience Feedback Loop

Higher household yield can have a second effect beyond investment compounding. A larger emergency reserve can reduce the need to finance unexpected expenses with high-cost debt. Avoided interest expense can then remain available for saving or consumption.

Potential household feedback loop

Higher savings yield → larger liquid reserve → less reliance on expensive emergency borrowing → lower household interest expense → greater capacity to save → additional compounding.

5. What Happens to Banks?

If households can move money easily toward higher-yielding digital instruments, banks may have to pay more to retain deposits. That does not mean only shareholders are affected: higher funding costs can reduce net interest margins, encourage operating efficiencies, change lending volumes or be reflected partly in borrower rates.

This is why the analysis should not equate the gap between a loan rate and a savings rate with pure profit. Banks perform maturity transformation, underwriting, liquidity provision, payments, compliance and loss absorption. The economically relevant question is whether, after those necessary costs and risks, competition allows households to receive a larger portion of the distributable return.

Potential discipline effect

If deposits become more mobile and more rate-sensitive, bank profitability may depend more heavily on efficient operations, sound underwriting and accurately priced credit risk—and less on exceptionally inexpensive, inert

deposit funding.

6. The Digital Efficiency Dividend

BIS research describes tokenized architectures that can combine messaging, reconciliation and asset transfer, enable atomic settlement, reduce operational frictions and errors, shorten settlement cycles and lower pre-funding needs. These are genuine potential efficiencies, although they do not eliminate the need for regulated intermediaries or risk-management infrastructure.

Assume purely for illustration that mature digital infrastructure reduces total relevant system costs by 0.50 percentage points on \$10 trillion of balances. That creates a \$50 billion annual efficiency dividend. The technology itself does not specify who receives that \$50 billion.

Possible recipient	Potential form of benefit
Households	Higher savings yield; greater long-term compounding
Banks	Higher margin or capacity to absorb higher funding costs
Stablecoin issuers / platforms	Issuer or platform economics
Custodians / asset managers	Custody and management economics
Borrowers	Potentially lower financing or transaction costs
Government / public sector	Potential fiscal, seigniorage or infrastructure benefit

7. Three Possible Digital-Finance Outcomes

Scenario	Mechanism	Distributional implication
A. Intermediary-controlled yield	Digital infrastructure lowers costs, but households receive only modestly higher yield.	Technology changes substantially; household wealth capture changes modestly.
B. Partial yield competition	Banks, stablecoins and tokenized cash products compete for balances.	A meaningful portion of underlying return and efficiency savings reaches households.
C. High pass-through	Most distributable low-risk return reaches holders after transparent system costs.	Household compounding rises substantially; intermediaries compete primarily on service, risk and efficiency.

8. The Core Test: Who Owns the Compounding?

A digital system should not be judged only by transaction speed, blockchain usage, tokenization or whether an instrument is described as decentralized. The stronger test is to follow one dollar of household capital from the saver through the financial architecture and identify where the return and the efficiency savings ultimately accrue.

Analytical test

Gross return generated – demonstrably necessary risk, capital, insurance, compliance and operating costs = distributable economic return. Then measure what percentage of that distributable return reaches the household.

Value-flow map

Legacy banking: Household → bank deposit → bank funding pool → loans/securities → gross asset return → operating/risk/capital costs → depositor interest + retained bank economics.

Tokenized model: Household → wallet/platform → stablecoin or tokenized deposit → reserve/settlement assets → gross reserve return → custody/platform/compliance costs → holder yield + retained intermediary economics.

9. Questions for Policy and Market Analysis

- Can holders receive remuneration tied to low-risk reserve assets, and through which entities?
- Who legally owns the reserve income generated behind a digital-money instrument?
- How transparent are reserve assets, fees, spreads and pass-through economics?
- Can consumers move balances easily enough to create genuine rate competition?
- How much deposit migration would occur, and what would it do to bank funding and credit availability?
- Which legacy costs actually disappear under tokenization, and which digital risks replace them?
- Are efficiency gains passed to savers and borrowers, or retained primarily by intermediaries?
- How do the answers affect household wealth after 10, 20, 30 and 40 years?

10. Limitations and Interpretation

The numerical scenarios in this report are deliberately simplified. They are not forecasts and do not account for changing interest rates, inflation, taxes, household withdrawals, credit losses, changing regulatory capital requirements or behavioral responses. Stablecoins and bank deposits also carry different legal, liquidity, insurance and risk characteristics, so equal headline yields are not automatically economically equivalent.

The report also does not assume that every dollar of return not paid to a saver is excessive profit. The purpose is to separate legitimate system costs from the residual economic return and then determine how competition and regulation allocate that residual.

Conclusion

Tokenization can make the financial system faster and potentially less costly, but technological efficiency alone does not guarantee broader household wealth participation. The distributional result depends on who controls the yield, how freely consumers can move their money, the costs and risks that remain, and how much of the efficiency dividend is passed through.

For an individual household, an additional \$1,000 per year can become roughly \$95,000 over 40 years at a constant 4% return. Across millions of households, recurring differences in yield allocation can become economically significant. The appropriate analytical question is therefore not merely who controls the digital rails, but who ultimately receives—and compounds—the economic return.

Bottom line

WHO OWNS THE COMPOUNDING? If the answer changes materially in a tokenized system, household wealth distribution can change with it. If the answer does not change, digitization may transform the infrastructure far more than it transforms the economics.

PART II — WHO CONTROLS THE YIELD?

Stablecoin remuneration, legislative structure and reserve-income allocation

1. Current Legislative Position as of October 7, 2026

The House passed its version of H.R. 3633 in July 2025. Senator Cynthia Lummis published updated substitute text on September 14, 2026. CRS describes the draft as combining and modifying the House bill, the Senate Banking Committee text and Senate Agriculture Committee legislation.

On September 15, 2026, the Senate rejected cloture on the motion to proceed to H.R. 3633. The official roll call recorded 49 yeas, 50 nays and one senator not voting; 60 votes were required. As of October 7, Reuters continued to describe the measure as defeated in the Senate. The legislation therefore has not advanced beyond that procedural vote as of this submission date.

Provision / issue	Current documented position
GENIUS Act issuer yield	Permitted payment-stablecoin issuers are prohibited from paying interest/yield solely for holding, using or retaining the stablecoin.
Third-party yield under GENIUS	The issuer prohibition does not itself comprehensively prohibit third parties such as exchanges from providing holder rewards.
Sept. 14 CLARITY draft	Would restrict third-party payments economically/functionally equivalent to deposit interest while preserving certain bona fide transaction/activity payments.
Community-bank circuit breaker	Treasury could implement a rule after an 18-month assessment if third-party yield causes substantial detrimental impact to community-bank deposits.
Status Oct. 7	Senate cloture vote failed 49-50 on Sept. 15; measure has not advanced as of Oct. 7, 2026.

2. The Competing Economic Arguments

Banking-sector argument

Banking trade groups argue that interest-like stablecoin rewards can draw balances away from insured deposits, raise bank funding costs and reduce credit availability to consumers, small businesses and agriculture. In September, banking groups criticized the proposed circuit breaker as acting only after harmful deposit flight had occurred.

Counterargument reflected in White House CEA analysis

The Council of Economic Advisers models a different result. At its baseline, CEA estimates that prohibiting stablecoin yield would shift \$54 billion from stablecoins toward traditional deposits but increase total bank lending by only about \$2.1 billion, or 0.02%, with roughly \$0.5 billion of the increase attributed to community banks. CEA estimates a net welfare cost of about \$800 million annually under its baseline assumptions.

CEA’s mechanism is important: when a household exchanges a bank deposit for a fully backed stablecoin, the money does not necessarily disappear from the banking system. Reserve assets may include bank deposits or Treasury securities, and Treasury transactions can re-create deposits elsewhere. The ultimate effect depends on reserve composition, settlement and bank balance-sheet constraints.

Neutral interpretation

The disagreement is partly empirical, not merely ideological: how much yield-sensitive money would move, where stablecoin issuers would hold reserves, how much bank funding would actually be lost, and how strongly changes in deposits translate into lending.

3. Documented Value-Capture Network

The following map uses documented commercial, custody and reserve-income relationships. A connection does not by itself establish common control, coordinated conduct or beneficial ownership.

Node	Documented role	Economic connection
Household / end user	Holds bank deposit, USDC, RLUSD or other digital asset	Supplies the balance whose economic return is being analyzed.
Circle / USDC	Issuer; earns interest/dividends on reserve assets	Reserve income is recorded gross before distribution costs.
Coinbase	Major USDC distribution partner; minority Circle equity holder	Circle pays Coinbase amounts principally tied to net USDC reserve income; Coinbase also receives allocations tied to on-platform balances and broader ecosystem circulation.
BNY	Traditional bank/custodian	Primary custodian of USDC reserves; provides USDC custody plus mint/burn enablement for institutional clients.
Ripple / RLUSD	Stablecoin issuer	RLUSD backed by cash/cash equivalents held through depository institutions and securities custodians.
BNY / RLUSD	Traditional bank/custodian	Ripple identifies BNY as primary custodian for RLUSD reserves.
Banks generally	Deposit funding, credit creation, custody and digital-asset services	CLARITY draft would expressly permit specified digital-asset activities as part of or incidental to banking.
Treasury / regulators	Defines permitted reserves and regulatory perimeter	Rules influence whether reserve return can be passed through and under what form.

4. USDC: A Concrete Example of Where Reserve Income Goes

Circle’s 2025 annual filing and 2026 interim filing provide unusually useful visibility into stablecoin economics. Circle states that it earns interest and dividends on reserve assets. Under its collaboration agreement with Coinbase, payments to Coinbase are tied principally to net reserve income after certain reserve-management fees and expenses. Circle retains an issuer portion, the parties receive allocations related to USDC held on their platforms, and Coinbase receives a share of remaining broader-ecosystem reserve economics after specified deductions.

For the six months ended June 30, 2026, Circle reported \$655.3 million of distribution costs connected with its Coinbase agreements. The filing also identifies Binance and other strategic distributors. This does not mean all distribution cost is consumer yield; it demonstrates that reserve-generated economics already move among issuer and distribution intermediaries at very large scale.

Why this matters

The USDC disclosures demonstrate the report’s central concept in practice: reserve assets generate income, and contracts determine how that income is divided among issuer, distributors and potentially end users. Regulation can change which routes remain available.

5. Traditional Finance Is Already Inside the Digital-Asset Stack

BNY’s relationships with Circle and Ripple are direct examples. In June 2026, Circle and BNY announced that BNY would expand its role as primary custodian of USDC reserves and provide institutional custody plus mint-and-burn connectivity. Ripple states that BNY has been primary custodian of RLUSD reserves since July 2025.

This supports a narrower and defensible conclusion: digital finance is not developing as a completely separate financial system. Traditional banks, custodians, asset managers, exchanges and stablecoin issuers increasingly occupy connected layers of the same value chain. It does not establish that these entities share common ultimate control.

6. Tokenized Deposits: Modernization Without Disintermediation

BIS explicitly distinguishes stablecoins from tokenized commercial-bank deposits. In an August 2026 speech, BIS described tokenized deposits as operating within the existing two-tier monetary system and preserving the connection between deposit-taking and credit provision. BIS has advocated integrating tokenization into a system anchored in central-bank money, while allowing stablecoins more specialized roles under safeguards.

This creates a critical distinction for household economics. Tokenizing the deposit can reduce friction and improve settlement without necessarily changing who owns the deposit liability or how the return on associated bank assets is divided. In other words, the rails can change while the deposit economics remain recognizable.

Architecture	Who holds the liability / claim?	Potential household-yield implication
Traditional deposit	Commercial bank	Bank determines deposit rate subject to competition.
Tokenized bank deposit	Commercial bank, represented digitally	Potentially similar deposit economics unless competition or product design changes pass-through.
Fully backed stablecoin	Stablecoin issuer; reserves held in permitted assets	Reserve return may exist, but issuer/third-party reward rules determine how much can reach holder.
Yield-bearing investment token / fund	Investment vehicle rather than payment stablecoin	Return may be passed through more directly, but product carries a different legal/regulatory/risk profile.

7. The Yield-Control Decision Tree

The household outcome can be reduced to a decision tree:

1. Does the digital instrument generate or support reserve income?
2. Is the issuer legally permitted to pass that income directly to the holder?
3. If not, may a third party or affiliate provide economically equivalent rewards?
4. If rewards are allowed, how much is retained by issuer, custodian, distributor and asset manager before reaching the holder?
5. If rewards are restricted, does competition nevertheless force banks to raise deposit rates?
6. After all legitimate costs, what portion of the distributable return compounds for the household?

Report metric

Consumer Yield Capture Ratio = household return ÷ gross return generated or supported by the household balance. Household Wealth Capture then measures the long-term compounded consequence of that ratio.

8. Three Regulatory / Market Outcomes to Model

Outcome	Yield architecture	Likely analytical effect
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1. Restricted pass-through	Issuer and third-party stablecoin yield substantially restricted; tokenized deposits dominate retail digital money.	Digital efficiency may rise substantially while household yield competition changes less.
2. Conditional competition	Transaction/activity rewards and some third-party products remain available; regulators intervene if bank-deposit harm crosses defined thresholds.	Moderate competitive pressure on deposits; benefits depend heavily on product design and enforcement.
3. Broad competitive pass-through	Regulated nonbank products can pass a large share of low-risk reserve return to holders with transparent costs and safeguards.	Stronger rate competition; potentially higher household yield but greater pressure on bank funding and possible effects on credit pricing/availability.

9. What the Evidence Does - and Does Not - Establish

Evidence supports	Evidence does not by itself prove
Stablecoin reserves can generate substantial income.	That all reserve income should economically belong to holders.
Issuer/distributor contracts can allocate reserve-linked income among intermediaries.	That intermediaries are acting unlawfully or collusively.
Traditional banks already provide reserve custody and digital-asset infrastructure.	That the same families or investors exercise coordinated control over banks and crypto.
Banking groups are actively seeking restrictions on interest-like stablecoin rewards.	That protecting bank profits is the sole motive; groups also cite funding, lending and stability concerns.
CEA estimates limited lending benefits from a yield prohibition under its baseline model.	That deposit migration can never affect credit; outcomes depend on assumptions and future market scale.
Tokenized deposits can preserve the traditional bank-deposit/credit relationship.	That tokenization necessarily prevents greater consumer yield competition.

10. Research Layer for the Combined Report

The combined report should next add a verified ownership-and-influence appendix rather than relying on historical reputation or informal associations. For each major bank, stablecoin issuer, exchange, custodian and asset manager, the appendix should separately identify: beneficial ownership where disclosed; voting rights; board representation; minority strategic stakes; reserve-management contracts; custody relationships; distribution/revenue-sharing agreements; lending/credit relationships; and regulatory role.

Each connector should be labeled by type. “Ownership,” “commercial partnership,” “custody,” “reserve management,” “distribution economics,” “board/governance,” and “regulatory oversight” should never be collapsed into a single generic category of control.

Next integration step

Part I answers: “What does yield allocation mean for household wealth?” Part II answers: “Which rules and institutions determine whether that yield can reach households?” The final report can combine both and add a verified ownership/influence network as Part III.

PART III — THE VERIFIED INSTITUTIONAL NETWORK

Banks, stablecoins, exchanges, custodians and tokenized financial rails

1. Functional Network Map

The network is best understood as a series of gateways through which household or institutional money can move. The same organization can occupy more than one gateway.

Layer	Representative verified entities	Function
Household / institutional access	Coinbase; banks; institutional platforms	On/off ramps, distribution, wallets, deposit accounts
Stablecoin issuance	Circle / USDC; Ripple / Standard Custody / RLUSD	Issue and redeem digital-dollar liabilities
Reserve custody	BNY	Custody cash/securities and support reserve operations
Reserve management	BlackRock-managed Circle Reserve Fund (USDC structure)	Manage eligible Treasury/repo reserve assets
Exchange / distribution	Coinbase; Binance (Circle disclosure)	Distribution, liquidity, customer access; may receive economic incentives
Tokenized bank deposits	J.P. Morgan / JPM Coin	Convert regulated commercial-bank deposits into on-chain deposit tokens
Blockchain rail	Base / Coinbase ecosystem; XRP Ledger and other networks	Settlement/programming layer
Digital-asset custody inside banking	Standard Chartered / Zodia Custody	Institutional custody integrated into bank services

2. USDC: A Documented Value-Capture Chain

Circle's public disclosures provide an unusually clear example of how stablecoin reserve income can move through an institutional network.

Simplified USDC chain

USDC holder → Circle issuance → reserve assets → BNY custody / eligible reserve arrangements → Treasury & repo income → reserve-management expenses → Circle issuer economics + contractual distribution payments → Coinbase / other approved ecosystem participants.

Circle's 2025 Form 10-K says payments to Coinbase are tied principally to net reserve income from USDC. After an issuer retention, allocations depend partly on USDC held on each party's platform, and Coinbase receives half of a remaining broader-ecosystem amount after approved third-party payments. Circle reported \$1.4 billion of Coinbase-related distribution costs in 2025.

Circle's June 30, 2026 filing reports \$655.3 million of Coinbase-related distribution costs for the first six months of 2026. This is direct evidence that stablecoin reserve economics can be shared among issuer and distribution intermediaries before any generalized holder yield is considered.

Node	Documented role	Type of connection
Circle	USDC issuer / platform operator	Issuer
BNY	Primary custodian of USDC reserves; institutional USDC custody, mint/burn enablement	Custody + transaction services
BlackRock	Manager of Circle Reserve Fund used for eligible Treasury/repo reserve assets	Reserve management

Coinbase	USDC distributor; receives contractual payments tied principally to net reserve income	Distribution + economic participation
Binance	Strategic distributor identified by Circle; distribution costs can be incurred	Distribution

3. RLUSD: Legacy Custody Inside a Crypto-Native Network

Ripple selected BNY as primary custodian of RLUSD reserves in July 2025. BNY also provides transaction-banking services supporting RLUSD operations. Ripple states RLUSD reserves are held in segregated accounts at depository institutions and securities custodians.

As of September 3, 2026, Ripple's transparency page reported approximately \$2.396 billion of RLUSD in circulation and \$2.518 billion in reserve funds. This provides a current example of a crypto-native issuer using a globally significant traditional custodian at the reserve layer.

Simplified RLUSD chain

RLUSD holder → Standard Custody / Ripple ecosystem → segregated reserve assets → BNY primary custody + transaction banking → redemption / institutional settlement infrastructure.

4. Banks Are Also Issuing On-Chain Money

The emerging system is not limited to nonbank stablecoins. J.P. Morgan describes JPM Coin as a bank-issued deposit token—not a cryptocurrency or stablecoin—representing commercial-bank deposits on blockchain infrastructure.

In 2026, J.P. Morgan reported that the USD-denominated JPM Coin became available to institutional clients on Base, the Ethereum Layer-2 network built within Coinbase. J.P. Morgan states that funds remain within its regulated banking infrastructure while gaining programmable, near-real-time settlement.

Why this matters

A future digital-money market can contain both stablecoins and tokenized commercial-bank deposits. Blockchain adoption therefore does not inherently remove banks from the monetary architecture; it can also digitize bank liabilities themselves.

5. Digital Custody Is Moving Inside Banks

Standard Chartered announced in May 2026 that its non-binding offer to acquire Zodia Custody's regulated custody business had been accepted by Zodia's shareholders and noteholders, subject to regulatory approvals and customary conditions. The stated plan is to integrate regulated digital-asset custody into Standard Chartered's existing custody business.

This is important structurally: rather than legacy custody necessarily being displaced by crypto-native custodians, banks can acquire or internalize digital-asset custody capabilities.

6. Ripple and Traditional Banking: Longstanding Links

Ripple's relationships with traditional banks are not new. Ripple reported in 2016 that Santander, UniCredit, UBS, CIBC and other institutions had adopted or piloted Ripple technology for cross-border payments. Santander later operated One Pay FX using Ripple technology, and American Express announced a blockchain-enabled payments channel involving Ripple and Santander UK in 2017.

These are commercial and technology relationships, not evidence that the banks own Ripple or control XRP. They nevertheless show that the boundary between 'traditional banking' and 'crypto infrastructure' has been porous for years.

7. Network Interpretation: Integration vs. Control

Evidence level	What can responsibly be concluded
Strong	Traditional banks, custodians, asset managers, exchanges and stablecoin issuers are increasingly interconnected through operational and commercial relationships.
Strong	Some reserve income is contractually distributed among institutional participants, as demonstrated by Circle's Coinbase arrangements.
Strong	Banks can preserve a central role by issuing tokenized deposits and by providing custody, reserve and transaction-banking services.
Moderate	As tokenization scales, economic power may remain concentrated at gateways such as custody, reserve management, distribution and regulated on/off ramps.
Not established by this evidence	A small set of families jointly controls the banking and crypto systems or coordinates the allocation of digital-asset yield.

8. Where the Yield Can Be Captured

Stage	Potential value capture	Household question
Reserve assets	Treasury/repo interest	Does the holder receive any direct or indirect share?
Reserve management	Management economics / expenses	Are fees transparent and competitively priced?
Custody	Custody and transaction-service fees	Does digitalization reduce these costs over time?
Issuer	Issuer retention / platform margin	How much of gross reserve income remains with issuer?
Distributor / exchange	Distribution payments, spread, customer economics	Is reserve income used to subsidize rewards or retained?
Bank deposit token	Bank net-interest economics	Does tokenization increase the depositor's yield or mainly improve bank efficiency?
End holder	Interest, reward, lower fees, liquidity benefit	What fraction of distributable value reaches the saver?

9. The Test for the Combined Report

Part I asked who owns the compounding. Part II examined legal and institutional control over stablecoin yield. Part III shows where the current institutional gateways actually sit.

Combined-report hypothesis to test

Digital finance can materially lower transaction and settlement costs while preserving many incumbent financial gateways. The key distributional question is whether competition forces those efficiency gains and reserve returns toward households, or whether issuer, bank, custodian, exchange and asset-management layers retain most of the distributable value.

The final report should therefore follow a fixed amount—such as \$100,000—through four architectures: (1) conventional bank deposit, (2) bank-issued tokenized deposit, (3) stablecoin with restricted holder yield, and (4) stablecoin/tokenized cash with high yield pass-through. Each architecture should show gross return, explicit costs, intermediary allocations, household return and 10–40 year compounding.

PART IV — THE \$100,000 VALUE-FLOW MODEL

A common quantitative test across competing financial architectures

1. Common Assumptions

Assumption	Value
Starting household balance	\$100,000
Gross low-risk return available to system	4.00% / \$4,000 per year
Compounding	Annual
Additional household contributions	None
Taxes / inflation / withdrawals	Excluded
Purpose	Compare value allocation, not predict future rates

2. Four Competing Architectures

Architecture	Household APY	Annual household return	Gross return retained elsewhere*	Gross-yield capture
A. Traditional low-yield bank deposit	0.50%	\$500	\$3,500	12.5%
B. Bank tokenized deposit	1.25%	\$1,250	\$2,750	31.25%
C. Restricted-yield stablecoin / platform model	2.00%	\$2,000	\$2,000	50.0%
D. High-pass-through digital cash / stablecoin	3.50%	\$3,500	\$500	87.5%

*The retained amount is not assumed to be profit. Depending on the architecture it may fund capital, liquidity, credit losses, deposit insurance, compliance, cybersecurity, custody, platform distribution, reserve management, operations and taxes. The model asks what remains with the household after all such allocations.

3. Value Flow — One Year

A. Traditional bank deposit

Household \$100,000 → bank deposit liability → bank funding pool → loans/securities and liquidity assets → \$4,000 gross-return benchmark → \$500 household interest + \$3,500 gross spread available for banking costs, risks and retained economics.

B. Bank tokenized deposit

Household \$100,000 → tokenized commercial-bank deposit → programmable bank rail → bank assets/credit provision → \$4,000 benchmark → \$1,250 household interest + \$2,750 for bank costs, risks and retained economics.

C. Restricted-yield stablecoin

Household \$100,000 → wallet/platform → stablecoin → reserve assets → \$4,000 benchmark → issuer/custodian/platform economics and compliance → \$2,000 holder remuneration + \$2,000 retained elsewhere.

D. High-pass-through digital cash

Household \$100,000 → regulated digital instrument → transparent reserve pool → \$4,000 benchmark → \$500 combined reserve/custody/compliance/platform cost and retained economics → \$3,500 household return.

4. Long-Term Household Compounding

Architecture	10 years	20 years	30 years	40 years
Traditional deposit	\$105,114	\$110,490	\$116,140	\$122,079
Tokenized bank deposit	\$113,227	\$128,204	\$145,161	\$164,362
Restricted-yield stablecoin	\$121,899	\$148,595	\$181,136	\$220,804
High pass-through	\$141,060	\$198,979	\$280,679	\$395,926

Incremental Household Wealth vs. 0.50% Deposit

Architecture	10 years	20 years	30 years	40 years
Tokenized bank deposit	+\$8,113	+\$17,714	+\$29,021	+\$42,283
Restricted-yield stablecoin	+\$16,785	+\$38,105	+\$64,996	+\$98,725
High pass-through	+\$35,946	+\$88,489	+\$164,539	+\$273,847

5. Who Captures the \$4,000?

Architecture	Household	System / intermediaries*	Household share
Traditional deposit	\$500	\$3,500	12.5%
Tokenized bank deposit	\$1,250	\$2,750	31.25%
Restricted-yield stablecoin	\$2,000	\$2,000	50.0%
High pass-through	\$3,500	\$500	87.5%

Why this matters

The first-year difference between the traditional and high-pass-through scenarios is \$3,000. The 40-year difference is far larger because each year's retained household return itself earns future returns.

6. What Digitization Can and Cannot Change

Tokenization can reduce or reorganize some costs through programmable settlement, shared ledgers, atomic exchange, faster reconciliation and reduced pre-funding. It does not eliminate cybersecurity, compliance, governance, custody, liquidity or operational-resilience costs.

BIS currently argues that tokenized deposits offer a direct way to use programmable rails while preserving the existing two-tier monetary architecture and the link between deposit-taking and credit. Stablecoins can coexist, but broader adoption can make deposits more mobile and potentially increase bank funding pressure.

Therefore, lower technical cost does not automatically imply higher household yield. The economic outcome depends on competition, regulation, reserve design and who is permitted to remunerate holders.

7. Banking-System Tradeoffs

Potential change	Possible consequence
Households demand higher deposit yield	Bank funding costs rise
Deposits become more mobile	Greater rate competition and faster potential outflows
Bank margins compress	Pressure for efficiency, repricing, or lower shareholder returns
Funding costs rise materially	Some cost may pass to borrowers
Tokenization lowers operating friction	Can offset part of higher funding cost
Stablecoins hold safe assets outside banks	Can alter bank funding and credit creation

New York Fed research emphasizes that the welfare effects are not one-directional: depending on regulatory costs and bank risk incentives, tokenized deposits, stablecoins, or competition between them can produce different outcomes. This report therefore treats household yield as one important objective rather than the only relevant objective.

8. Consumer Yield Capture Ratio

For this report, the Consumer Yield Capture Ratio is defined as:

Consumer Yield Capture Ratio

Household annual return ÷ gross benchmark return generated or supported by the household balance.

This is a distributional metric, not a profitability metric. A low ratio may reflect legitimate system costs, excessive intermediation, risk-bearing, or some combination. The next analytical step is to decompose the non-household share into documented cost and profit categories wherever public data permit.

9. Household Wealth Capture

Household Wealth Capture measures the long-term balance resulting from the household's retained yield. It makes recurring differences visible that a one-year APY comparison can obscure.

40-year illustration

At constant scenario rates, \$100,000 grows to about \$122,079 at 0.50%, \$164,361 at 1.25%, \$220,804 at 2.00%, and \$395,949 at 3.50%. The assumptions are intentionally static; the purpose is to isolate compounding.

10. Interpretation for the Combined Report

Parts I–III established the household-compounding question, the regulatory/yield-control issue, and the growing institutional links among banks, stablecoin issuers, exchanges, custodians and tokenized rails. Part IV supplies the common economic yardstick.

The combined report should use this model to test each documented architecture: identify the gross return source; subtract demonstrably necessary costs and risk compensation; identify who receives the residual; and then compound the household portion over time.

The report's central question

WHO OWNS THE COMPOUNDING? The relevant comparison is not simply traditional finance versus crypto. It is the percentage of distributable economic return that reaches households under each architecture—and what that difference becomes over a generation.

PART V — INTEGRATED FINDINGS

What the evidence shows, what it does not show, and how to evaluate the transition

1. What the Evidence Establishes

First, low-cost deposits are economically important to banks. Federal Reserve research describes deposits as approximately two-thirds of U.S. bank liabilities and notes that they generally fund banks at rates below the return earned on bank assets. Greater deposit mobility or competition can therefore affect bank funding costs and profitability.

Second, digital reserve assets can generate significant income. BIS research finds that reserve-funded stablecoin remuneration can track policy rates. Circle's public filings provide a concrete example: reserve income is the substantial majority of its revenue, while distribution arrangements allocate significant economics to partners such as Coinbase.

Third, traditional financial institutions are not simply being displaced by digital assets. They are increasingly providing custody, settlement, tokenized-deposit and reserve-management infrastructure. The emerging system is therefore better understood as a convergence of traditional and digital finance than as a clean replacement of one by the other.

Fourth, a lower-cost digital architecture does not automatically produce a higher household return. The efficiency dividend can be allocated among households, banks, issuers, exchanges, custodians, asset managers, borrowers and the public sector.

2. What the Evidence Does Not Establish

The documented network does not prove that a small set of families or institutions exercises unified control over the banking and digital-asset systems. Ownership, voting power, board influence, custody, commercial partnerships and distribution economics are distinct relationships and should not be treated as interchangeable.

Nor does the gap between a household deposit rate and a loan or reserve return equal pure intermediary profit. Financial institutions incur real costs for liquidity, capital, credit losses, deposit insurance, compliance, fraud prevention, cybersecurity, custody, technology and operations.

The appropriate test is therefore to identify those necessary costs as precisely as public data permit and then examine who receives the residual distributable return.

3. The Household-Centered Test

Consumer Yield Capture Ratio

Household annual return ÷ gross benchmark return generated or supported by the household balance.

Household Wealth Capture

The long-term value of the household's retained return after compounding over 10, 20, 30 and 40 years.

Efficiency Dividend Capture

The allocation of cost savings created by digitalization among households, intermediaries, borrowers and the public sector.

4. Questions to Track as the System Evolves

- Who legally owns the income generated by reserve assets behind each digital-money instrument?
- Which entities may remunerate holders, and under what regulatory restrictions?
- How transparent are reserve yields, management fees, custody costs, distribution payments and issuer retention?
- Do tokenized deposits increase household rates, or primarily modernize the bank's existing deposit liability?
- How much of any reduction in settlement and processing cost reaches savers or borrowers?
- How does deposit migration affect bank funding, loan pricing and credit availability?
- Are household balances genuinely portable enough to create sustained rate competition?
- Does the Consumer Yield Capture Ratio rise materially over time?

5. Overall Conclusion

The economic significance of digital money will not be determined solely by whether balances move on blockchains or tokenized ledgers. The larger distributional question is whether the transition changes the share of financial return that households are able to retain.

Even modest annual differences matter. A recurring \$1,000 household benefit, invested at a constant illustrative 4%, grows to roughly \$95,000 over 40 years. On a \$100,000 balance, the difference between a constant 0.50% and 3.50% household return becomes more than \$270,000 over 40 years. The exact future rates will differ, but the compounding mechanism is unavoidable.

The report therefore proposes a simple standard for evaluating new financial architecture: identify the gross economic return, subtract demonstrably necessary system and risk costs, trace the residual to its recipients, and measure the household share over time.

Final question

WHO OWNS THE COMPOUNDING? If that answer changes materially, digital finance can change household wealth accumulation. If it does not, the financial infrastructure may change far more than the distribution of its economic benefits.

Consolidated Primary and Institutional Sources

Federal Reserve — Assessing Bank Resilience to a Funding Shock (Feb. 17, 2026):

<https://www.federalreserve.gov/econres/notes/feds-notes/assessing-bank-resilience-to-a-funding-shock-20260217.html>

Federal Reserve — Financial Stability Report: Funding Risks (May 2026): <https://www.federalreserve.gov/publications/2026-may-financial-stability-report-funding-risks.htm>

Federal Reserve Bank of New York — Stablecoins vs. Tokenized Deposits: The Narrow Banking Debate Revisited (Feb. 2026):

https://www.newyorkfed.org/research/staff_reports/sr1179

BIS Bulletin 125 — Stablecoin Remuneration on Centralised Exchanges (June 19, 2026): <https://www.bis.org/publications/bulletin-125-stablecoin-remuneration-centralised-exchanges>

BIS — Stablecoin-related Yields: Some Regulatory Approaches: <https://www.bis.org/publications/fsi-brief-27-stablecoin-related-yields-some-regulatory-approaches>

Circle — Form 10-Q for quarter ended June 30, 2026 (SEC):

<https://www.sec.gov/Archives/edgar/data/1876042/000187604226000248/crcl-20260630.htm>

Circle — 2025 Annual Report / Form 10-K (SEC): <https://www.sec.gov/Archives/edgar/data/1876042/000187604226000062/crcl-20251231.htm>

Methodological Note

This report combines documented institutional evidence with explicitly labeled scenario analysis. Numerical examples are designed to isolate economic mechanisms and should not be interpreted as forecasts, investment advice, legal advice, tax advice or an endorsement of a particular legislative outcome.

APPENDIX A — GLOBAL FINANCIAL POWER NETWORK

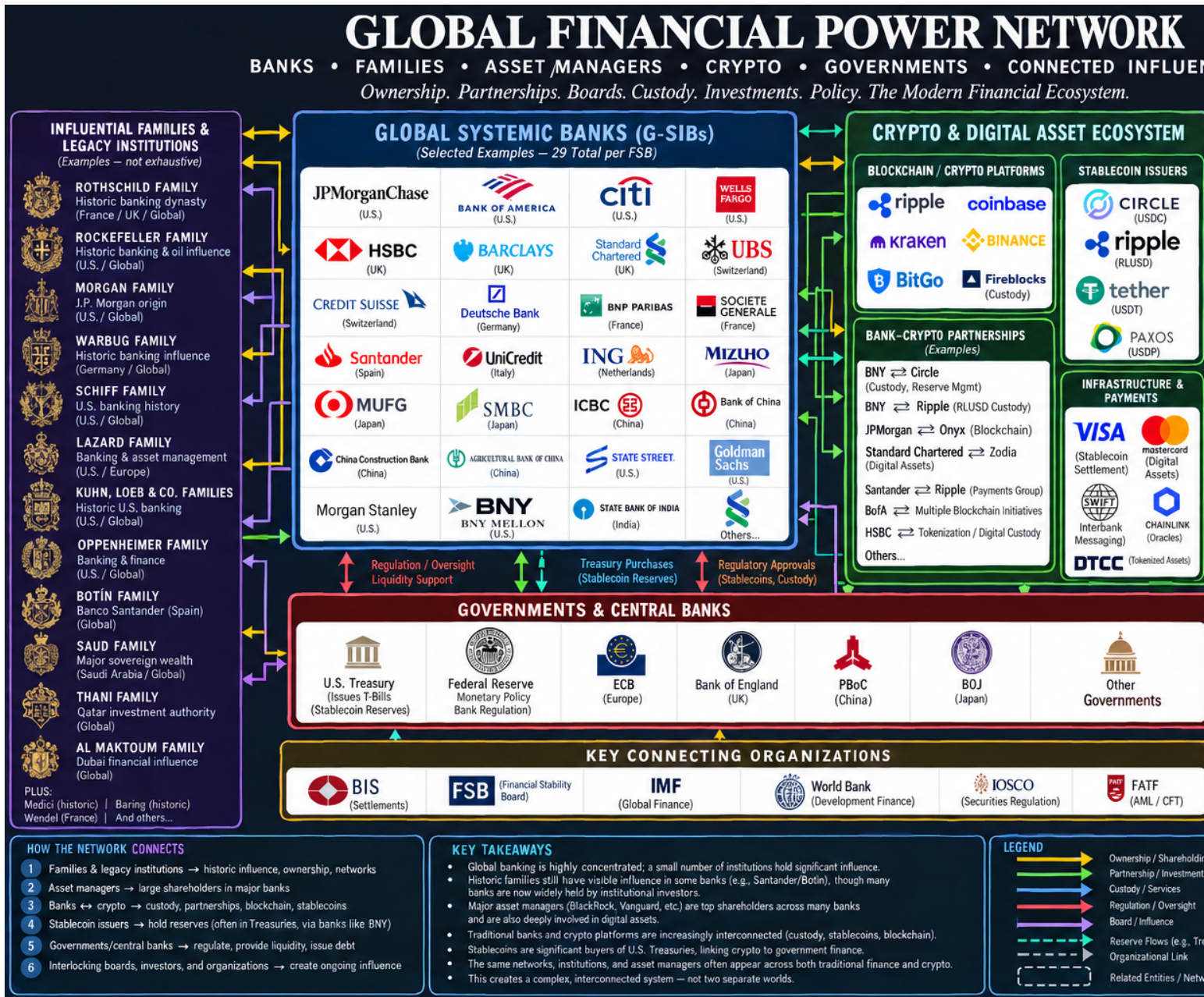
Cross-Check of the Brainstorming Map Against the Verified Report and Current Public Sources

Status date: September 16, 2026

How to read this appendix

The supplied infographic is included in full because it is useful as a network hypothesis map. It is not treated as evidence by itself. Each category below is cross-checked and labeled as CURRENT/VERIFIED, HISTORICAL/CONTEXTUAL, NEEDS ENTITY-SPECIFIC EVIDENCE, or CORRECTION REQUIRED. Ownership, custody, commercial partnership, regulation and historical influence are kept separate.

Figure A-1. Original Global Financial Power Network brainstorming map



HOW THE NETWORK CONNECTS

- Families & legacy institutions → historic influence, ownership, networks
- Asset managers → large shareholders in major banks
- Banks ↔ crypto → custody, partnerships, blockchain, stablecoins
- Stablecoin issuers → hold reserves (often in Treasuries, via banks like BNY)
- Governments/central banks → regulate, provide liquidity, issue debt
- Interlocking boards, investors, and organizations → create ongoing influence

KEY TAKEAWAYS

- Global banking is highly concentrated; a small number of institutions hold significant influence.
- Historic families still have visible influence in some banks (e.g., Santander/Botín), though many banks are now widely held by institutional investors.
- Major asset managers (BlackRock, Vanguard, etc.) are top shareholders across many banks and are also deeply involved in digital assets.
- Traditional banks and crypto platforms are increasingly interconnected (custody, stablecoins, blockchain).
- Stablecoins are significant buyers of U.S. Treasuries, linking crypto to government finance.
- The same networks, institutions, and asset managers often appear across both traditional finance and crypto.
- This creates a complex, interconnected system – not two separate worlds.

LEGEND

- Ownership / Shareholding
- Partnership / Investment
- Custody / Services
- Regulation / Oversight
- Board / Influence
- Reserve Flows (e.g., Treasury)
- Organizational Link
- Related Entities / Network

Source: user-supplied brainstorming infographic. The map is reproduced for completeness; corrections and evidentiary classifications

A.1 Executive Cross-Check

The infographic's strongest proposition survives review: traditional finance and digital-asset infrastructure are increasingly connected through custody, reserve management, distribution, tokenized deposits, payments and market infrastructure. The verified report already documents BNY–Circle, BNY–Ripple, BlackRock's Circle Reserve Fund role, Coinbase's participation in USDC reserve economics, J.P. Morgan's tokenized-deposit infrastructure, Standard Chartered/Zodia, and longstanding bank–Ripple relationships.

However, several visual elements require correction or qualification before they should appear in an evidentiary report. Most importantly, the G-SIB panel mixes current G-SIBs with institutions that are not on the current FSB list; the family panel is largely historical/contextual rather than proof of present control; and several asset-manager arrows should be treated as issuer-specific shareholding relationships rather than generic control.

Bottom line

Include the whole network, but not all connectors at the same evidentiary weight. The final report should distinguish: (1) current ownership/voting power, (2) current commercial/custody/reserve relationships, (3) regulatory/organizational links, and (4) historical legacy context.

A.2 G-SIB Panel — Corrected to the Current FSB List

The Financial Stability Board's latest published list contains 29 G-SIBs. The supplied infographic correctly identifies many of them, but it also places Credit Suisse, UniCredit and State Bank of India inside the G-SIB panel even though they are not current G-SIBs. Credit Suisse was acquired by UBS; UniCredit is not on the current list; and State Bank of India is not on the current list.

FSB 2025 bucket	Current G-SIBs
Bucket 4	JPMorgan Chase
Bucket 3	Bank of America; Citigroup; HSBC; Industrial and Commercial Bank of China (ICBC)
Bucket 2	Agricultural Bank of China; Bank of China; Barclays; BNP Paribas; China Construction Bank; Goldman Sachs; Groupe Crédit Agricole; Mitsubishi UFJ Financial Group (MUFG); UBS
Bucket 1	Bank of Communications; Bank of New York Mellon (BNY); Deutsche Bank; Groupe BPCE; ING; Mizuho Financial Group; Morgan Stanley; Royal Bank of Canada; Santander; Société Générale; Standard Chartered; State Street; Sumitomo Mitsui Financial Group (SMBC); Toronto-Dominion; Wells Fargo

Infographic item	Cross-check	Treatment in final report
Credit Suisse	CORRECTION REQUIRED	Do not list as a current G-SIB. Treat as historical; UBS completed the acquisition in 2023.
UniCredit	CORRECTION REQUIRED	Do not list as a current G-SIB; may appear elsewhere as a major bank / historical Ripple relationship.
State Bank of India	CORRECTION REQUIRED	Do not list as a current G-SIB.
Bank of Communications	MISSING FROM LABELED GRID	Add to the current G-SIB list.
Groupe BPCE	MISSING FROM LABELED GRID	Add to the current G-SIB list.
Groupe Crédit Agricole	MISSING FROM LABELED GRID	Add to the current G-SIB list.
Royal Bank of Canada	MISSING FROM LABELED GRID	Add to the current G-SIB list.
Toronto-Dominion	MISSING FROM LABELED GRID	Add to the current G-SIB list.

A.3 Banks ↔ Digital Assets: Current Verified Connectors

Connector shown / implied	Status	Verified interpretation
BNY ↔ Circle / USDC	CURRENT / VERIFIED	BNY is primary custodian of USDC reserves and in 2026 expanded institutional USDC custody plus mint/burn connectivity.
BNY ↔ Ripple / RLUSD	CURRENT / VERIFIED	BNY is primary custodian of RLUSD reserves and provides transaction-banking support.

BlackRock ↔ Circle Reserve Fund	CURRENT / VERIFIED	BlackRock manages the Circle Reserve Fund, a government money-market fund used in the USDC reserve structure.
Circle ↔ Coinbase	CURRENT / VERIFIED	Circle filings show Coinbase receives contractual distribution payments tied principally to USDC net reserve income; this is distribution economics, not reserve custody.
J.P. Morgan ↔ Onyx	CORRECTION / UPDATE	Onyx was rebranded Kinexys by J.P. Morgan in November 2024. Use 'Kinexys (formerly Onyx)' in the final report.
J.P. Morgan ↔ Base / Coinbase ecosystem	CURRENT / VERIFIED	JPM Coin / Kinexys Digital Payments has been extended to blockchain infrastructure including Base for institutional use; bank liabilities remain inside regulated J.P. Morgan infrastructure.
Standard Chartered ↔ Zodia Custody	CURRENT / VERIFIED, SUBJECT TO COMPLETION	Standard Chartered announced an accepted offer in May 2026 to acquire Zodia Custody's regulated custody business, subject to regulatory approvals and closing conditions.
Santander ↔ Ripple	VERIFIED HISTORICAL COMMERCIAL LINK	Ripple technology was used in Santander's One Pay FX and earlier payment initiatives. This is a commercial/technology relationship, not evidence of ownership.
Visa ↔ stablecoin settlement	CURRENT / VERIFIED	Visa supports USDC settlement and expanded its multi-chain stablecoin settlement program.
Mastercard ↔ digital assets/stablecoins	CURRENT / VERIFIED	Mastercard completed its acquisition of BVNK in August 2026 to expand stablecoin capabilities.
Swift ↔ tokenized deposits	CURRENT / VERIFIED	Swift announced a blockchain-based ledger ready for initial use with 17 banks preparing tokenized-deposit cross-border payment pilots.
DTCC ↔ tokenized assets	CURRENT / VERIFIED	DTCC/DTCC has processed production tokenized-asset trades and is building a tokenization service; its working group spans major TradFi and digital-asset firms.
Chainlink ↔ institutional tokenization	CURRENT / VERIFIED IN SPECIFIC PROJECTS	Include as infrastructure/oracle/interoperability participant where a specific project is cited; do not treat it as a financial owner or controller.

A.4 Stablecoin and Crypto Nodes

Node from infographic	Classification for report	Role to include
Circle / USDC	CURRENT / VERIFIED	Payment-stablecoin issuer; reserve income and distribution economics are central to the report.
Ripple / RLUSD	CURRENT / VERIFIED	Stablecoin issuer / digital-asset infrastructure provider; BNY reserve custody documented.
Tether / USDT	CURRENT NODE	Major stablecoin issuer. Include in ecosystem map; add reserve/yield specifics only when separately sourced.
Paxos / USDP	CURRENT NODE	Regulated stablecoin/infrastructure issuer. Include as ecosystem node; do not infer common control.
Coinbase	CURRENT / VERIFIED	Exchange/distributor; USDC distribution economics documented; Base is relevant blockchain infrastructure.
Binance	CURRENT / VERIFIED AS DISTRIBUTION NODE	Circle disclosures identify Binance as a strategic distributor; relationship type should be labeled distribution, not ownership.
Kraken	CURRENT NODE	Exchange / on-off ramp. Include as market-access node; connector claims should be transaction-specific.
BitGo	CURRENT NODE	Digital-asset custody/infrastructure provider.
Fireblocks	CURRENT NODE	Digital-asset custody/transfer infrastructure provider.
XRP Ledger / Base / other networks	CURRENT INFRASTRUCTURE	Settlement/programming rails. A network's use does not imply ownership by every institution operating on it.

A.5 Asset Managers and Large Institutional Investors

The infographic is directionally correct that large asset managers frequently appear as significant shareholders of public banks and are also active in digital assets. But holdings must be read as beneficial ownership reported by investment advisers or parent companies, often on behalf of fund clients; they are not automatically equivalent to managerial control.

Institution	Include?	How it should be described
BlackRock	YES — VERIFIED	Large institutional shareholder in many public companies; JPMorgan's 2026 proxy reports 7.15% beneficial ownership. Separately manages the Circle Reserve Fund and participates broadly in tokenization/digital assets.
Vanguard	YES — VERIFIED	Large institutional shareholder; JPMorgan's 2026 proxy reports 9.86% beneficial ownership, held in its investment-adviser capacity. Do not describe as direct operational control.
Fidelity	YES	Major asset manager with digital-asset products/custody activity. Bank shareholding claims

		should be verified issuer by issuer.
State Street / SSGA	YES	Both a G-SIB banking organization and a major asset manager; digital-asset services make it a multi-role node.
Capital Group	YES, QUALIFIED	Include as a large institutional investor; specific bank ownership percentages require issuer-specific filings.
T. Rowe Price	YES, QUALIFIED	Include as a large institutional investor; digital-asset activity and bank holdings should be cited specifically.
Invesco	YES	Large asset manager with digital-asset products and participation in institutional tokenization initiatives.
Franklin Templeton	YES	Asset manager with tokenized fund/blockchain initiatives; include as a digital-asset investment-management node.

Ownership discipline

For the final evidentiary appendix, every ownership arrow should identify the issuer, percentage, filing date and whether the shares are held in an adviser/fiduciary capacity. A >5% position is evidence of a significant reported holding; it is not, by itself, proof of control.

A.6 Families and Legacy Institutions

All names from the infographic can remain in the report, but this panel must be explicitly separated from the current ownership network. Most entries are historical lineage/context, not evidence that the named family currently controls a G-SIB or digital-asset platform.

Family / legacy node	Classification	Appropriate treatment
Rothschild	HISTORICAL + CURRENT FAMILY-BUSINESS CONTEXT	Discuss banking dynasty and current family-linked financial businesses only where present ownership/governance is documented; do not imply control of unrelated G-SIBs.
Rockefeller	HISTORICAL / PHILANTHROPIC / INVESTMENT LEGACY	Historical banking/oil and institutional influence context; current financial control claims require specific evidence.
Morgan	HISTORICAL	J.P. Morgan lineage/origin. JPMorgan Chase today is a widely held public company; do not equate the Morgan family with current bank control.
Warburg	HISTORICAL	Important banking lineage; any current ownership claim must be entity-specific.
Schiff	HISTORICAL	U.S. banking history, especially Kuhn Loeb; not a current-control connector without new evidence.
Lazard	HISTORICAL / INSTITUTIONAL LEGACY	Lazard remains a financial institution, but family-history context should not be represented as current family control without evidence.
Kuhn, Loeb & Co. families	HISTORICAL	Defunct historical banking institution; include only as lineage/context.
Oppenheimer	HISTORICAL / ENTITY-SPECIFIC	Name spans multiple financial histories; current influence claims require precise entity/person linkage.
Botín	CURRENT GOVERNANCE CONTEXT	Relevant to Santander through documented family leadership/governance; quantify ownership/voting interests from current Santander disclosures before drawing a control conclusion.
Saud	SOVEREIGN / GOVERNANCE CONTEXT	Saudi sovereign wealth is state-owned, not automatically personal family ownership. Separate state institutions such as PIF from royal-family identity.
Thani	SOVEREIGN / GOVERNANCE CONTEXT	Qatar Investment Authority is a sovereign wealth fund of the State of Qatar; do not collapse state assets into personal family ownership.
Al Maktoum	SOVEREIGN / GOVERNANCE CONTEXT	Dubai state investment entities should be treated as government/sovereign institutions, not presumed personal family property.
Medici; Baring; Wendel	HISTORICAL / ENTITY-SPECIFIC	Retain as historical examples only; Wendel is a current investment company but any family-control statement should use current disclosures.

A.7 Governments, Central Banks and Connecting Organizations

Node	Include?	Role / qualification
U.S. Treasury	YES	Issuer of Treasury securities used widely in stablecoin reserves; fiscal authority. Not a stablecoin operator.
Federal Reserve	YES	U.S. monetary policy, bank supervision/regulation and liquidity functions; role varies by legal entity and statute.
European Central Bank	YES	Euro-area central bank and banking-supervision role within the Single Supervisory Mechanism.

Bank of England	YES	UK central bank, monetary and financial-stability functions.
People's Bank of China	YES	China's central bank and monetary authority.
Bank of Japan	YES	Japan's central bank and monetary authority.
Other governments / regulators	YES	Use jurisdiction-specific agencies where a regulatory approval or rule is material.
BIS / Basel Committee	YES	Central-bank cooperation, research and Basel standard-setting infrastructure; do not reduce its role to 'settlements' alone.
Financial Stability Board	YES	Coordinates international financial-stability policy; publishes the G-SIB list. It is not a bank owner.
IMF	YES	Multilateral monetary/fiscal surveillance and lending institution.
World Bank	YES	Multilateral development-finance institution.
IOSCO	YES	International securities-regulatory standard-setting/cooperation body.
FATF	YES	Intergovernmental AML/CFT standard-setting body.

A.8 The Network the Final Report Should Show

The corrected network should preserve every major category in the original infographic but change the logic of the connectors. Rather than a single concept of 'influence,' each arrow should state exactly what it represents.

Connector type	Meaning	Examples
OWNERSHIP / SHAREHOLDING	Reported equity or beneficial ownership with date and percentage	Vanguard → JPMorgan 9.86%; BlackRock → JPMorgan 7.15% as disclosed in JPMorgan's 2026 proxy.
BOARD / GOVERNANCE	Director, executive or governance role	Botín family → Santander governance context, subject to current disclosure.
CUSTODY / SERVICES	Assets or reserves held/serviced by an institution	BNY → USDC reserves; BNY → RLUSD reserves.
RESERVE MANAGEMENT	Investment management of reserve pool	BlackRock → Circle Reserve Fund.
DISTRIBUTION ECONOMICS	Contractual revenue sharing / distribution payments	Circle ↔ Coinbase USDC reserve-linked distribution economics.
BANK TOKENIZATION	Bank liability represented/settled on blockchain rails	J.P. Morgan → Kinexys / JPM Coin.
COMMERCIAL / TECHNOLOGY PARTNERSHIP	Technology, payments or settlement relationship	Santander ↔ Ripple; Visa ↔ stablecoin settlement.
REGULATION / OVERSIGHT	Legal or supervisory authority	Central banks / regulators → banks and regulated digital-asset entities.
SOVEREIGN / PUBLIC FINANCE	Government debt or state investment relationship	Treasury bills → stablecoin reserve portfolios.
HISTORICAL / LEGACY	Historical lineage or institutional origin	Morgan, Warburg, Schiff, Kuhn Loeb, Rockefeller, Rothschild context.

A.9 Expanded Network Finding

Once corrected, the network supports a more precise version of the report's thesis. The strongest evidence is not that one family or one institution controls the entire system. It is that a relatively small set of large banks, custodians, asset managers, exchanges, payment networks and public institutions repeatedly occupy the gateways through which reserves, tokenized deposits, settlement assets and distribution economics move.

That concentration at gateways matters to the 'Who Owns the Compounding?' analysis because the same gateways can determine custody fees, reserve-management economics, distribution payments, access to tokenized instruments, deposit pricing and the legal routes through which yield can reach—or fail to reach—the end holder.

Revised network thesis

The evidence supports institutional convergence and gateway concentration. It does not, without additional beneficial-ownership, voting, board and related-party evidence, support a claim of unified family control. The final report should therefore follow the money and label every connector by its actual legal or economic function.

A.10 Sources Added for the Cross-Check

Financial Stability Board — 2025 List of Global Systemically Important Banks: <https://www.fsb.org/2025/11/2025-list-of-global-systemically-important-banks-g-sibs/>

JPMorgan Chase — 2026 Proxy Statement: <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/proxy-statement2026.pdf>

J.P. Morgan — Introducing Kinexys (formerly Onyx): <https://www.jpmorgan.com/insights/payments/blockchain-digital-assets/introducing-kinexys>

BNY — Expanded Circle / USDC custody and stablecoin enablement: <https://www.bny.com/corporate/global/en/about-us/newsroom/press-release/bny-expands-relationship-circle-adds-institutional-grade-stablecoin-enablement-services.html>

BNY — Ripple selects BNY for RLUSD reserve custody: <https://www.bny.com/corporate/global/en/about-us/newsroom/press-release/ripple-selects-bny-to-custody-ripple-usd-reserves.html>

BlackRock — Circle Reserve Fund: <https://www.blackrock.com/cash/en-us/products/329365/circle-reserve-fund>

Standard Chartered — Zodia Custody acquisition announcement: <https://www.sc.com/en/press-release/standard-chartered-to-acquire-zodia-custodys-custody-business/>

Visa — U.S. stablecoin settlement: <https://usa.visa.com/about-visa/newsroom/press-releases.releaseId.21951.html>

Mastercard — BVNK acquisition / stablecoin capabilities: <https://www.mastercard.com/us/en/news-and-trends/press/2026/august/mastercard-completes-acquisition-of-bvnk-to-advance-global-stabl.html>

Swift — blockchain ledger / tokenized deposits: <https://www.swift.com/news-events/press-releases/swifts-blockchain-ledger-ready-use-17-banks-set-pioneer-tokenised-cross-border-payments-trusted-global-infrastructure>

DTCC — tokenization service and industry working group: <https://www.dtcc.com/press-releases/2026/dtcc-advances-development-of-new-tokenization-service>

PART VI — THE CLARITY FORK

Two Possible Digital Financial Systems and Their Household Compounding Effects

Legislative status and scenario analysis • October 7, 2026

Purpose

Compare the September 2026 CLARITY compromise architecture with the broader stablecoin-yield restrictions requested by banking trade groups, then connect those alternatives to the report's household-yield, gateway and compounding analysis. This is a scenario analysis, not a prediction or recommendation.

1. Legislative Status and the Actual Dispute

On September 15, 2026, the Senate voted 49-50 on cloture for the motion to proceed to H.R. 3633, below the 60 votes required. The vote stalled the measure rather than enacting it. The September 14 revised text had attempted to address concerns involving ethics, illicit finance, state enforcement and bank funding.

For this report, the economically important dispute is stablecoin remuneration. The GENIUS Act already bars a permitted payment-stablecoin issuer from paying interest or yield solely for holding the stablecoin. The remaining question is how far Congress should extend that restriction to rewards paid by exchanges, affiliates and other third parties.

Position	Mechanism	Stated rationale
September compromise / circuit-breaker approach	Restrict deposit-like third-party payments while preserving specified bona fide transaction/activity rewards; assess community-bank effects and permit later regulatory intervention.	Balance digital-asset competition and payments innovation against bank-funding and community-credit concerns.
Banking-group requested change	Tighten Section 10404 so payment-stablecoin rewards or incentives cannot function like deposit interest; remove provisions permitting rewards calculated by balance, duration or tenure.	Prevent payment stablecoins from becoming store-of-value substitutes for deposits and causing deposit flight that could raise funding costs or constrain lending.
Broader-yield-competition position	Permit regulated third-party remuneration subject to safeguards and transparency.	Increase competition for household balances and allow more reserve-generated return to reach holders.

2. What the Banking Groups Are Seeking

The American Bankers Association, Independent Community Bankers of America and all 77 state bankers associations have asked the Senate to tighten the stablecoin provisions. Their September request specifically seeks revisions to Section 10404(c)(1) and deletion of subsection 10404(3)(B), which they say could allow rewards calculated by reference to a stablecoin balance, holding duration or tenure.

Their stated concern is not that stablecoins should disappear. They describe payment stablecoins as potentially useful transactional instruments, but argue that interest-like rewards can transform them into substitutes for bank deposits. Because deposits finance mortgages, small-business lending, agricultural credit and other bank assets, they argue that large-scale migration could impair local credit availability.

Important distinction

That argument establishes a bank-funding concern; it does not establish the magnitude of the resulting lending effect. The magnitude is an empirical question and is disputed.

3. The CEA Counterfactual

The White House Council of Economic Advisers has modeled the effect of extending the yield prohibition. Its baseline assumes a \$300 billion stablecoin market and traces portfolio shifts, reserve composition, bank balance-sheet constraints and lending.

CEA baseline result	Estimate
Stablecoin balances shifted toward bank deposits	\$54.4 billion
Increase in total bank lending	\$2.1 billion
Increase as share of total loans	0.02%
Increase in community-bank lending	\$0.52 billion
Increase as share of community-bank loans	~0.03%
Holder welfare loss from portfolio distortion	\$0.94 billion / year
Estimated lending benefit	\$0.14 billion / year
Net welfare effect	–\$0.80 billion / year
Yield forgone by holders who remain in stablecoins	\$8.5 billion / year

CEA characterizes the \$8.5 billion of forgone holder yield as a transfer to issuers and intermediaries rather than as deadweight welfare loss. Its model also reports substantially larger lending effects under extreme combinations of assumptions, demonstrating that the result is sensitive to market scale, reserve composition, household yield sensitivity and the Federal Reserve operating framework.

Banking groups dispute the practical implications of such modeling and emphasize future scale, the quality and stickiness of recycled deposits, and community-bank exposure. Accordingly, this report treats the CEA figures as a quantified counterfactual—not as a forecast.

4. The Two Digital-Finance Architectures

Feature	A. Conditional competition / circuit breaker	B. Broad interest-like reward restriction
Payment stablecoins	Payment and settlement instrument; some qualifying rewards can remain	Payment and settlement instrument; store-of-value remuneration substantially constrained
Third-party rewards	Possible within statutory boundaries	Deposit-like rewards broadly curtailed
Bank deposits	Compete more directly for yield-sensitive balances	Receive greater regulatory insulation from stablecoin yield competition
Tokenized bank deposits	Grow alongside stablecoins	Likely become comparatively stronger retail/institutional digital-money route
Reserve income	Generated by Treasury/repo/cash-equivalent assets	Still generated by Treasury/repo/cash-equivalent assets
Consumer access to reserve return	Potentially partial, through qualifying third-party structures	Substantially reduced for mere holding
Issuer/distributor economics	Competitive pressure to share some economics	Greater ability for reserve economics to remain within institutional value chain, subject to competition and contract terms
Community-bank funding risk	Monitored; intervention after defined harm	Reduced ex ante by limiting a competing yield channel
Household yield competition	Moderate	Lower
Likely report classification	Partial yield competition	Regulated digital convergence / intermediary-controlled yield

5. Follow the Same \$100,000

To isolate the distributional mechanism, the following comparison uses the same 4.00% gross-return benchmark used elsewhere in this report. The household APYs below are analytical assumptions—not estimates of what CLARITY will cause.

Scenario	Household APY	Year-1 return	Yield capture	10 yr	20 yr	30 yr	40 yr
Traditional low-yield deposit	0.50%	\$500	12.5%	\$105,114	\$110,490	\$116,140	\$122,079
Broad-restriction digital convergence	1.25%	\$1,250	31.2%	\$113,227	\$128,204	\$145,161	\$164,362
Conditional competition	2.75%	\$2,750	68.8%	\$131,165	\$172,043	\$225,660	\$295,987
High-pass-through benchmark	3.50%	\$3,500	87.5%	\$141,060	\$198,979	\$280,679	\$395,926

6. Household Difference Between the Two CLARITY Paths

Period	Broad-restriction scenario	Conditional-competition scenario	Household difference
10 years	\$113,227	\$131,165	\$17,938
20 years	\$128,204	\$172,043	\$43,839
30 years	\$145,161	\$225,660	\$80,499
40 years	\$164,362	\$295,987	\$131,625

Interpretation

Under these illustrative assumptions, the regulatory fork does not need to change the gross 4% return available in the system. It changes the assumed portion that reaches the household. The compounding difference then grows over time.

7. Expected Scenario if the Banking-Side Yield Amendments Prevail

Sequence	Expected mechanism
1. Digitalization continues	Stablecoins, tokenized securities, blockchain settlement and institutional custody remain useful even without holder yield.
2. Tokenized bank deposits gain relative strength	Banks can offer programmable digital deposits while retaining the conventional deposit liability and deposit-pricing relationship.
3. Deposit funding is more insulated	Banks face less direct competition from yield-paying payment stablecoins for store-of-value balances.
4. Stablecoin reserves continue generating return	Treasury bills, repos and other permitted reserve assets do not stop producing income because holder remuneration is restricted.
5. The institutional gateway network remains	Issuer, custodian, reserve manager, exchange/distributor and payment infrastructure continue to perform—and be paid for—different functions.
6. Household yield competition is weaker	A major mechanism that could force pass-through of reserve economics is constrained.
7. Digital cost savings need not flow automatically to households	Lower settlement/reconciliation costs can be retained, shared with borrowers, or passed to savers depending on competition and contracts.

8. Interaction With the Verified Institutional Network

The network analysis becomes more—not less—important under a broad reward restriction. Stablecoin reserve income can still move through the institutional chain even when generalized holder yield is limited.

Illustrative value chain

Household → exchange / wallet → stablecoin issuer → reserve custodian → Treasury / repo / money-market reserve assets
→ gross reserve income → reserve-management, custody, issuer and distribution economics → permitted holder benefit, if any.

The verified examples in this report—BNY reserve custody, BlackRock reserve management, Circle/Coinbase distribution economics, bank-issued tokenized deposits and bank-owned or bank-integrated digital custody—show why 'banks versus crypto' is an incomplete frame. A plausible endpoint is a converged digital system in which traditional institutions and crypto-native firms occupy different layers of the same value chain.

9. Scenario D — Regulated Digital Convergence

Dimension	Expected configuration if broad reward restrictions prevail
Technology	Highly digitized and increasingly tokenized
Commercial banks	Remain central deposit and credit intermediaries
Stablecoins	Large payments/settlement role, weaker savings-product role
Tokenized deposits	Stronger competitive position
Treasury/repo reserves	Continue producing income
Legacy custody / asset management	Remain important institutional gateways
Deposit-rate competition	Improves from technology/portability only to the extent market competition forces it
Stablecoin holder yield	Substantially constrained for passive holding
Household efficiency-dividend capture	Low-to-moderate in the modeled architecture
Institutional value capture	Moderate-to-high relative to a broad pass-through architecture
Household compounding improvement	Positive if deposit rates rise, but below the modeled conditional/high-pass-through cases

Analytical conclusion

This outcome would not mean that digital finance failed technologically. It would mean that the financial rails changed more than the legal and economic allocation of yield.

10. What Would Falsify This Scenario?

The regulated-convergence scenario should be treated as a testable hypothesis. It would be weakened if, after a broad stablecoin-reward restriction, bank deposit rates rose sharply toward underlying safe-asset yields; tokenized deposits passed most efficiency savings to depositors; competition materially reduced intermediary margins; or borrowers captured the savings through demonstrably lower credit costs.

It would be strengthened if digital operating costs declined while the Consumer Yield Capture Ratio remained low, reserve and distribution income remained concentrated in institutional layers, and deposit pricing stayed materially below comparable low-risk returns.

11. Metrics to Monitor After Any Legislative Change

Metric	Why it matters
Deposit beta / deposit APY vs. policy and Treasury rates	Tests whether banks pass higher market returns to savers.
Stablecoin reward APYs and qualifying reward structures	Shows how much competition survives statutory restrictions.
Stablecoin reserve income and issuer margins	Measures the gross economic pool behind payment tokens.
Distribution payments to exchanges/platforms	Identifies intermediary participation in reserve economics.
Community-bank deposit growth/outflows	Tests the stated funding-risk rationale.
Community-bank loan growth and loan pricing	Tests whether protected deposits materially increase local credit.
Tokenized-deposit adoption and pricing	Tests whether bank digitization changes household economics or mainly

	the rails.
Consumer Yield Capture Ratio	Measures the household share of gross return.
Efficiency Dividend Capture	Measures who receives lower digital-system costs.
Household Wealth Capture	Converts annual yield differences into 10/20/30/40-year wealth effects.

12. Neutral Integrated Conclusion

The stablecoin-yield dispute exposes a genuine policy tradeoff. Banking organizations seek to protect deposit funding because deposits support lending and relationship banking. Advocates of broader remuneration argue that competition can deliver more of the return on low-risk reserve assets to households and force incumbent intermediaries to compete more aggressively for balances.

Current evidence does not resolve that tradeoff with certainty. The CEA baseline finds very small lending gains from a broad yield prohibition and measurable household costs, while banking groups argue that future scale and community-bank funding dynamics make ex ante protection necessary. The eventual outcome will depend on market growth, reserve composition, consumer behavior, bank balance-sheet responses and the final statutory language.

For the framework developed in this report, however, the key insight is clear: the legislation can influence not only which technology carries money, but which entities are legally and commercially positioned to receive the return generated around that money.

The CLARITY test

If the rails become digital while household yield capture remains structurally low, the transition will have modernized financial infrastructure more than household compounding. If competition materially raises household capture after legitimate system costs, the distributional architecture will have changed as well.

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WHO OWNS THE COMPOUNDING?

PART VII — THE GLOBAL FINANCIAL TRANSITION

Households, Money, Liquidity and the Distribution of Value in a Digital Global Financial System

CENTRAL QUESTION

If technology changes how the world's citizens save, exchange, transmit and settle money, who receives the resulting economic benefit — and who gets to compound it?

Prepared as an analytical extension to the Who Owns the Compounding? memorandum

September 2026

Executive Summary

The earlier analysis focused primarily on U.S. households, U.S. bank deposits, stablecoin yield and the domestic distribution of financial returns. That is an incomplete frame for a monetary system in which the U.S. dollar, dollar funding, dollar reserves, cross-border payments and dollar-denominated digital assets operate globally.

This Part VII therefore changes the unit of analysis. It follows people and businesses that use the financial system across jurisdictions: savers, workers, remittance senders and recipients, merchants, importers and exporters, borrowers, investors, banks, payment firms, governments and central banks. The purpose is not to predict the end of dollar dominance or to assume that a particular cryptocurrency becomes the global settlement asset. It is to measure how value would move under several plausible digital architectures and identify who receives the efficiency gains, yield and liquidity economics.

Core finding

A global digital-finance transition can change the rails without automatically changing the distribution of wealth. The distributional outcome depends on who controls issuance, conversion, custody, reserves, liquidity, settlement and access — and on how much of the resulting efficiency dividend reaches end users.

1. Why the Analysis Must Be Global

The dollar remains central to the international monetary system. IMF COFER data show that U.S. dollar claims represented 57.13% of world official foreign-exchange reserves in 2026Q1. At the same time, dollar-denominated stablecoins are already international instruments: BIS research estimates that approximately 98% of stablecoin value is dollar-denominated.

The emerging digital system is also crossing currency boundaries. IMF research using four major USD-pegged stablecoins and 27 fiat currencies found that more than 70% of cumulative net fiat inflows into those stablecoins originated in non-USD currencies. The same research finds measurable spillovers from stablecoin flows into conventional foreign-exchange markets.

Sources: IMF COFER Data Brief, July 1, 2026; BIS Paper No. 170, May 5, 2026; IMF Working Paper 2026/056.

2. The World's Users of Money Become the Unit of Analysis

A global model should not multiply a U.S. household example by world population. Financial behavior, inflation exposure, bank access, remittance dependence, capital controls, payment costs, savings products and monetary stability differ sharply across jurisdictions. The correct approach is to compare representative users and transaction types.

Participant	Primary economic question
Household saver	Yield, inflation protection, liquidity, custody risk
Migrant worker / remittance sender	Transfer fee, FX spread, speed, recipient value
Remittance recipient	Net purchasing power received, cash-out cost, currency risk
Merchant / small business	Payment acceptance, settlement time, working capital
Importer / exporter	FX conversion, correspondent banking, prefunding, hedging
Borrower	Credit availability, loan pricing, collateral requirements
Bank / payment intermediary	Funding, fee income, custody, market making, compliance
Government / central bank	Monetary sovereignty, reserves, capital flows, policy transmission

3. The Global Baseline: What Users Pay Today

The existing system contains substantial friction, but that friction is not uniform. Cross-border payments can involve messaging, correspondent banks, FX conversion, liquidity buffers, compliance checks, reconciliation and delayed settlement. The Financial Stability Board estimated total cross-border payments at roughly \$200 trillion in 2024, while emphasizing that stablecoin cross-border payments remained a very small fraction of the total.

At the household level, remittances provide a useful observable example. The World Bank's Remittance Prices Worldwide database reported a global average cost of 6.36% for sending remittances in its latest displayed data. Reducing those costs creates an efficiency dividend whose distribution can be measured directly.

Sources: Financial Stability Board, Cross-border payments: towards the next chapter, July 2026; World Bank Remittance Prices Worldwide, latest displayed Q3 2025 data.

4. A Global Value-Flow Framework

Current cross-border architecture
User → local bank/payment firm → FX conversion → correspondent/intermediary institutions → settlement infrastructure → recipient institution → recipient.

Potential digital architecture
User → local currency/on-ramp → digital money or tokenized deposit → digital liquidity/settlement layer → off-ramp or destination digital money → recipient.

The technological comparison asks whether the second architecture is faster, cheaper, more transparent or more resilient. This report asks an additional distributional question: if the second architecture lowers the total economic cost, which participant receives the savings?

5. Global Metrics

Metric	What it measures
Global Household Financial Capture Ratio (GHFCR)	Economic value ultimately retained by households ÷ economic value generated by household money and financial activity.
Global Household Yield Capture	Return received by household savers ÷ gross return supported by their balances or reserve assets.
Remittance Efficiency Capture	Reduction in total transfer cost retained by sender/recipient ÷ total technological cost reduction.
FX Efficiency Capture	Reduction in FX spreads and conversion costs passed to end users ÷ total FX efficiency gain.
Settlement Efficiency Capture	Working-capital, prefunding and settlement savings passed to end users ÷ total settlement savings.
Liquidity Value Capture	Economic return accruing to end users versus liquidity providers, market makers, exchanges, custodians and protocol participants.
Digital Reserve / Seigniorage Capture	Return on reserve or backing assets allocated among holder, issuer, custodian, distributor and public sector.
Local Deposit Displacement Ratio	Local bank deposits migrating into digital money ÷ relevant deposit base.
Digital Dollarization Ratio	Dollar-linked digital balances ÷ total relevant liquid digital/transaction balances in a jurisdiction.

6. Four Global Digital-Finance Architectures

A. Digital Dollar Extension

Dollar stablecoins and tokenized dollar deposits expand internationally. The dollar remains the principal reference asset, while digital rails reduce some payment and settlement frictions.

B. Multipolar Digital Money

Dollar, euro, renminbi and other regulated digital forms coexist, with interoperability and FX markets connecting them.

C. Neutral Digital Bridge Layer

A non-sovereign digital asset or protocol is used primarily as a bridge/liquidity instrument between national currencies and tokenized assets, without necessarily becoming the domestic unit of account.

D. Regulated Institutional Convergence

Digital settlement expands, but banks, custodians, exchanges, asset managers and regulated intermediaries remain central gateways for conversion, custody, reserves and liquidity.

7. The Remittance Test

Assume a worker sends \$1,000 equivalent to a family member abroad. Using the World Bank's 6.36% global average remittance cost as a baseline, the current all-in cost would be about \$63.60 and the recipient would retain about \$936.40 before any additional local cash-out or account fees.

Scenario	All-in cost	Cost on \$1,000	Recipient value
Current illustrative baseline	6.36%	\$63.60	\$936.40
Digital system — modest pass-through	4.00%	\$40.00	\$960.00
Digital system — strong pass-through	2.00%	\$20.00	\$980.00
Digital system — near SDG target	3.00%	\$30.00	\$970.00

The important variable is not simply the new transaction cost. If technology reduces the underlying economic cost by \$43.60 but the customer price falls by only \$23.60, then \$20 of the efficiency dividend is retained elsewhere in the chain. That retained amount should be identified by institution and function rather than treated as an unexplained 'digital efficiency' gain.

8. The Foreign Saver Test

A household outside the United States may acquire a dollar-linked stablecoin for reasons that have little to do with earning interest: currency stability, portability, access to dollar-denominated commerce, or cross-border settlement. That household can still become economically connected to U.S. reserve assets if the stablecoin issuer holds Treasuries, bank deposits, repos or qualifying money-market instruments.

Two layers of value capture

Layer 1 — Monetary utility: the user may receive valuable dollar access, portability and settlement capability.

Layer 2 — Financial return: the backing assets may generate interest or other income that is allocated among the issuer, custodian, distributor, platform or holder.

The analysis therefore should not assume that a zero-yield stablecoin is economically harmful to its foreign user; the monetary utility may be substantial. It should instead disclose the complete exchange: what utility the user receives, what risks the user bears, what return the backing assets generate, and who receives that return.

9. FX Spillovers and Monetary Sovereignty

Digital money can affect people who never hold it directly. IMF research published in 2026 found that shocks to stablecoin inflows can spill into conventional FX markets, including parity deviations, local-currency depreciation and synthetic dollar funding conditions. The paper's estimates are empirical results for its sample and should not be generalized mechanically to every country or future market structure.

BIS analysis identifies a spectrum of outcomes for emerging-market and developing economies: niche adoption, digital dollarization, and domestic stablecoin integration. These scenarios highlight a genuine tradeoff. Digital money can expand access and reduce friction, while rapid currency substitution can also affect local deposits, monetary sovereignty and policy transmission.

Sources: IMF Working Paper 2026/056; BIS Paper No. 170.

10. The Global Exchange-Layer Question

If a cryptocurrency or other digital asset eventually becomes a material global exchange or settlement layer, the analytical focus changes from reserve yield alone to liquidity economics. The bridge asset need not replace national currencies as units of account. It could instead connect national currencies, stablecoins, tokenized deposits, securities or other tokenized assets.

The new question

WHO OWNS THE LIQUIDITY LAYER?

Who must hold the bridge asset? Who provides market depth? Who earns spreads? Who receives collateral or lending income? Who controls custody and conversion? Who receives protocol or network fees? Who bears volatility, liquidity and counterparty risk?

This possibility remains a scenario, not an established outcome. The FSB notes that stablecoin cross-border payment volumes are currently tiny relative to the roughly \$200 trillion conventional cross-border market and suggests that hybrid models integrated with bank money and interoperable FX/settlement may be an important near-term path.

Source: Financial Stability Board, Cross-border payments: towards the next chapter, July 2026.

11. Why Basis Points Matter at Global Scale

Large payment and settlement volumes make very small changes economically significant. The following figures are arithmetic illustrations only; they are not forecasts of crypto transaction volume, fees or market share.

Annual flow	1 basis point	5 basis points
\$100 trillion	\$10 billion	\$50 billion
\$200 trillion	\$20 billion	\$100 billion
\$500 trillion	\$50 billion	\$250 billion
\$1 quadrillion	\$100 billion	\$500 billion

At \$200 trillion of annual flow, one basis point equals \$20 billion. Consequently, determining whether an efficiency gain appears as lower customer prices, lower corporate working-capital requirements, higher liquidity-provider returns, larger intermediary margins or lower public-sector financing costs is not a minor distributional issue.

12. Regional Analysis — Do Not Assume One Global User

User environment	Primary variables
Advanced banking markets	Deposit yield, tokenized deposits, securities settlement, institutional custody, payment competition.
High-remittance corridors	Sender fees, FX spreads, recipient cash-out, settlement speed, fraud and access.
High-inflation / currency-stress markets	Store-of-value utility, dollarization, local deposit migration, capital controls, monetary sovereignty.
Major trade hubs	Corporate treasury, working capital, FX liquidity, trade settlement and collateral.
Underbanked / mobile-first markets	Wallet access, identity, connectivity, cash conversion, consumer protection and interoperability.

13. Relationship to U.S. Digital-Asset Policy

U.S. digital-asset market-structure legislation is domestic law, but the economic channels it governs can extend internationally when U.S.-linked digital assets, dollar reserves, exchanges, custodians and financial institutions serve non-U.S. users. The current CLARITY debate is therefore relevant to this report as a potential rule set for important gateways — not as proof that U.S. legislation determines the future global monetary system.

As of October 7, 2026, the Senate had not advanced H.R. 3633 beyond the failed September 15 cloture vote, which recorded 49 yeas and 50 nays. The policy debate included disputes over stablecoin rewards and bank-deposit competition. The White House Council of Economic Advisers estimates, under its baseline model, that an effective stablecoin-yield prohibition would shift about \$54.4 billion toward bank deposits, increase total bank lending by about \$2.1 billion, and produce an estimated net welfare cost of about \$0.8 billion annually. Those are model results, not observed outcomes or forecasts.

Sources: U.S. Senate Roll Call Vote 234, Sept. 15, 2026; White House Council of Economic Advisers, Sept. 2026; Reuters, Oct. 7, 2026.

14. A Global Distributional Ledger

Every scenario in the global report should reconcile the same ledger. Benefits should not be counted without costs, and institutional revenue should not automatically be treated as excess profit.

Participant	Potential value received	Potential cost / risk
Households	Yield, lower fees, purchasing power, access	Fraud, volatility, issuer/custody risk, currency exposure
Businesses	Lower settlement/FX cost, faster working capital	Integration, cyber, liquidity and compliance cost
Banks	Custody, tokenized deposits, liquidity, services	Deposit competition, margin pressure, technology cost
Issuers/platforms	Reserve income, distribution, fees	Compliance, redemption, operational and liquidity risk
Liquidity providers	Spreads, lending/collateral economics	Inventory, volatility and market risk
Governments	Potential efficiency, tax visibility, reserve demand	Monetary sovereignty, capital-flow and enforcement challenges

15. Research Tests for the Global Thesis

- Measure end-user remittance and FX prices before and after digital adoption, not merely protocol transaction fees.
- Track reserve income and distribution payments for major stablecoins and tokenized-money products.
- Measure whether foreign household users receive yield, fee rebates or other economic benefits from balances that support reserve assets.

- Track local-bank deposit migration and distinguish movement between banks from movement outside the banking system.
- Measure liquidity-provider spreads and concentration at major fiat/digital conversion gateways.
- Compare settlement-time reductions with actual working-capital savings passed to businesses.
- Track Treasury and other sovereign-asset demand attributable to digital-money reserves.
- Measure whether digital adoption changes local FX spreads, dollar funding premiums and monetary-policy transmission.
- Separate technological efficiency from market power: lower production cost does not guarantee lower customer price.

16. Integrated Conclusion

A financial system used globally must be evaluated globally. The central issue is not whether digital assets are inherently superior or inferior to bank money, nor whether a particular currency or token will dominate. The relevant question is how a change in financial architecture reallocates economic value among the people and institutions that use it.

If digitization lowers the cost of moving, storing, converting and settling money, those savings create an efficiency dividend. If reserve assets generate return, that return has an owner. If a bridge asset supplies global liquidity, the associated spreads, collateral economics and network value also have beneficiaries. A complete analysis therefore follows the money from the end user through every intermediary and back to the party that ultimately receives the economic benefit.

The global extension of the thesis

WHO OWNS THE MONEY?

WHO OWNS THE LIQUIDITY?

WHO RECEIVES THE EFFICIENCY DIVIDEND?

WHO BEARS THE RISK?

WHO OWNS THE COMPOUNDING?

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Methodological Note

This Part VII is a scenario-analysis framework. It does not predict which currency, digital asset, institution or network will dominate future global finance. Illustrative calculations are arithmetic examples designed to show the distributional significance of fees, yields and basis points at scale. Institutional research and government models are attributed to their authors and should not be treated as settled forecasts. Commercial relationships, custody arrangements, reserve management and distribution agreements do not by themselves establish common ownership or coordinated control.

PART VIII — GLOBAL SYNTHESIS

WHO OWNS THE COMPOUNDING IN A GLOBAL DIGITAL MONETARY SYSTEM?

Purpose. The domestic analysis in this memorandum asks whether financial digitization changes the distribution of economic return to households or merely changes the rails through which money moves. The global extension broadens that question to every person, business and institution that uses the international monetary system. Because the U.S. dollar is deeply embedded in reserves, trade, funding, foreign exchange and cross-border settlement, material changes in dollar-linked digital finance can transmit beyond U.S. borders even when the governing law is domestic.

1. The Global Question Is Distribution, Not Prediction

This memorandum does not predict the end of dollar dominance, select a successor currency, or assume that any particular cryptocurrency will become a global bridge asset. It asks a narrower and measurable question: if monetary functions migrate toward tokenized deposits, stablecoins, programmable settlement networks or digital bridge assets, how are the resulting benefits, costs, risks and returns distributed among the people and institutions using the system?

2. A Global Monetary Transition Can Occur Function by Function

Payments, foreign exchange, liquidity provision, collateral, custody, savings, credit and settlement do not have to migrate at the same time or to the same technology. A future system could retain sovereign currencies as units of account while using different digital instruments for cross-border exchange and settlement. The appropriate analysis therefore follows each monetary function separately rather than assuming a single replacement event.

3. The Global Citizen Ledger

For every architecture, the report should reconcile a common ledger: what the end user pays; what return the user's money supports; what risk the user bears; what liquidity the user supplies; what efficiency gain the technology creates; and which party ultimately receives each dollar of savings or return. This makes households and businesses—not protocols, issuers or banks—the final unit of distributional analysis.

4. The Scale Effect

The Financial Stability Board has described conventional cross-border payments as roughly \$200 trillion annually in 2024, while noting that stablecoin cross-border payment volumes remain a very small fraction of that total. At \$200 trillion of annual flow, one basis point equals \$20 billion. This arithmetic does not forecast digital-asset adoption; it demonstrates why very small changes in spreads, prefunding requirements, settlement costs or liquidity economics can become economically significant if applied to global-scale flows.

5. The Dollar-Stablecoin Channel

Current stablecoins are overwhelmingly dollar-denominated. BIS analysis therefore concludes that widespread adoption would initially tend to reinforce existing currency hierarchies, while also creating risks of digital dollarization in some emerging and developing economies. More than 70% of fiat-to-dollar-stablecoin conversions in one recent

BIS study originated from non-U.S.-dollar currencies, illustrating that the economic consequences already cross currency boundaries. A foreign user may gain valuable dollar access and payment utility while reserve income, distribution economics and custody revenue accrue elsewhere. Both sides of that exchange belong in the ledger.

6. The Global Exchange-Layer Scenario

If a cryptocurrency, tokenized settlement asset or other non-sovereign instrument eventually becomes a material bridge between currencies, the analysis expands beyond deposit and reserve yield. It must measure liquidity-provider spreads, collateral economics, conversion costs, custody fees, market-making revenue, network charges and working-capital savings. The central question becomes not only who owns the money, but who owns or supplies the liquidity through which money exchanges.

7. Benefits and Risks Must Be Measured Together

Digital finance may reduce payment friction, improve portability, widen access to foreign currency, shorten settlement times and reduce some prefunding and reconciliation costs. It can also shift deposits away from local banks, alter capital flows, affect foreign-exchange markets, change demand for sovereign assets, introduce run and cyber risks, and complicate monetary-policy transmission. The global analysis should credit genuine user benefits while also identifying who bears these risks and transition costs.

8. Why U.S. Market-Structure Rules Have an International Dimension

U.S. legislation governs U.S. actors and markets, but rules affecting dollar-linked stablecoins, exchanges, custodians, banks and digital-asset intermediaries can have international economic consequences when those products and institutions serve foreign users. The magnitude and direction of those consequences are uncertain and jurisdiction-specific. For that reason, the international effect of U.S. digital-finance policy should be evaluated as a transmission problem rather than assumed to be either beneficial or harmful.

9. The Final Test

A digital monetary system should not be evaluated solely by transaction speed, market capitalization, technological sophistication or institutional adoption. The distributional test is whether measurable efficiency gains reach the people and businesses whose money and economic activity support the system. If costs fall but end-user prices do not, the efficiency dividend is being captured elsewhere. If reserve or collateral assets generate returns that users do not receive, the yield has another beneficiary. If global settlement requires scarce liquidity, the return to that liquidity must also be identified.

10. Global Accountability Questions

Question	What Must Be Measured
Who owns the money?	Issuer structure, redemption rights, reserve composition and legal claim.
Who owns the yield?	Reserve income, collateral income, deposit remuneration, distribution payments and end-user

	yield.
Who owns the liquidity?	Market makers, bridge-asset holders, liquidity providers, concentration and spreads.
Who receives the efficiency dividend?	Changes in end-user prices versus reductions in underlying payment, FX and settlement costs.
Who bears the risk?	Run, custody, cyber, FX, capital-flow, bank-funding and monetary-sovereignty exposures.
Who gets to compound?	The portion of recurring economic savings and financial return that remains with households and businesses over time.

Final Conclusion

The global extension does not require a prediction about which currency or technology will prevail. It requires recognizing that money is already an international network and that changes to one of its central currencies, instruments or settlement channels can transmit through the entire system. The appropriate public-interest question is therefore global: as technology changes how value is stored, converted, transferred and settled, are the resulting gains broadly distributed to the people and businesses using the system, or concentrated at the gateways that control reserves, custody, liquidity and access?

That is the global form of the memorandum's central question: WHO OWNS THE COMPOUNDING?

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Methodological Note

Part VIII is a synthesis and scenario framework, not a forecast. It distinguishes observed current conditions from possible future architectures. Quantitative basis-point examples are arithmetic illustrations only. Commercial relationships, custody arrangements, reserve management and distribution economics should not be interpreted as evidence of common ownership, coordinated conduct or control unless separately established by evidence.